



Annual Report

2023



Our Purpose

Engineering a sustainable future.

Our Mission

To enable our clients to contribute to a cleaner environment by safely delivering pivotal solutions while generating value for our shareholders, staff, and partner industries.

The Environmental Group Limited acknowledges the traditional owners and custodians of country throughout Australia and acknowledges their continuing connection to land, sea and community.

We pay our respects to the people, the cultures and the elders past and present.

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The Environmental Group Limited (EGL) 2022-2023 Annual Report covers the operations of The Environmental Group for the financial year ended 30 June 2023. These financial statements are based on information available on the date of this report as required by law or regulation (ASX Listing Rules).

Financial statements are not guarantees or predictions of EGL's future performance. Known and unknown risks which are beyond our control may cause actual results to differ materially from those expressed in the statements contained in this report.

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A photograph of two men in a meeting. The man on the left is older, with grey hair and glasses, wearing a dark blue polo shirt. The man on the right is younger, with dark hair, wearing a light-colored button-down shirt. They are both smiling and looking at each other. The background is a blurred office setting. A large blue circle with a sunburst pattern is overlaid on the right side of the image.

FY23 in Review

We have further strengthened our One EGL strategy, leveraging synergies and successfully engineered innovative solutions, resulting in enhanced performance across our business units.



\$83M 

44.9% increase in Revenue on FY22



\$6.7M 

EBITDA up 51.8% before significant items of \$801K on FY22



\$4.9M 

EBIT up 64.6% before significant items of \$801K on FY22



\$2.6M 

NPAT up 68.2% on FY22



\$5.2M 

Net cash from operating activities



\$9.4M

Cash on hand



\$5M

Undrawn working capital facility



\$36.4M

Net Assets up by \$11.3M



0 LTI

Loss time injuries
Every staff member has safety embedded in their KPI's in alignment with our focus on an incident free workplace.

EGL Values

The EGL strategic statement encompasses six key focus areas which together guide the Group's work. These aspects reflect the core values that have helped to define our collaborative culture and continue to drive our business forward.



Cleaner Environments

Develop integrated solutions to assist customers to meet the highest level of regulatory and reporting requirements. To find innovative outcomes to complex and emerging environmental issues across multiple industry sectors.



Safety and Continuous Improvement

Recognise safety as non-negotiable for EGL teams, stakeholders and the communities EGL operates in. Drive continuous improvement in all areas of EGL business operations through targeted investment in systems, training and staff engagement.



Growth

Develop strategic partnerships and collaborations with expert knowledge, solutions and experience to accelerate growth, market penetration and profitability.



Value

Maintain a diversity of customers in a range of geographical markets in order to provide resilience in cash flow, margins, sustainable financial performance and reduce exposure to any one market segment. Achieve positive shareholder returns to drive long-term share price growth, and increased liquidity of shares.



Engineered Solutions

Inspire teams to resolve challenges by delivering tailored and unique solutions across a range of disciplines creating a point of difference and meeting customer requirements.



Expert Teams

Nurture teams of skilled professionals with structured mentor programs, formal training and education to drive a culture of innovation and continuous improvement. Maintain an organisational structure that delivers consistent management practices, good governance and flexibility to evolve in line with growth strategies. Recruit strategically to engage a diverse group of highly skilled people to create an inclusive culture and respect of individuality.



Chair's Report 2023

**The foundations that
have been laid put
EGL at the forefront
of addressing
tomorrow's challenges**



Dear Shareholders,

Engineering a Sustainable Future

FY23 has been another strong year for The Environmental Group Limited (EGL) as we continue to deliver on our strategic goals and mission to Engineer a Sustainable Future. Outstanding financial results and significant achievements in conjunction with a safety-first mindset serve as testimony to our commitment to the One EGL strategy and underpinning company values.

Throughout the reporting period, the Board has focused on the development of a company-wide growth mindset and the achievement of sustainable strategic goals. Organisational progression has been facilitated by a combination of organic growth across the group and strategic acquisition to complement and strengthen existing business units facilitated by the successful capital raise in May 2023.

Whilst we continue to see the impact of global events, including the long-term effects of COVID and international conflict, some stability has returned to trading activities. The Board continues to monitor developing opportunities and risks associated with supply chain, changes in government policy in relation to renewable energy and increased regulation in the waste industry - including the development of a circular economy. As we look to the future there is a focus across the business to develop new market opportunities by working with those who share our values and environmental goals.

EGL combined engineering, service and project management expertise provides solutions that reduce Noise, Air and Water pollution. Waste Management plants divert significant tonnage of waste materials from landfill and efficient burner management systems and custom designed inlet systems reduce Green House Gasses.

The safety of our team and the communities with whom we operate continues to be a priority. Each of the EGL divisions has integrated increased safety procedures into their business-as-usual mindset, and we are very pleased to report that once again we have recorded zero LTIs for the year. The refinement and monitoring of leading indicators as we maintain a proactive approach to this critical aspect of our operations will continue into FY24.

As a new way of working continues to shape the way our teams experience the workplace, a flexible balance to attendance in the office has been established - setting the tone for a modern and supportive work environment while contributing to increased workforce stability.

Reflecting on the outcomes of our strategic priorities, I am pleased to outline some of our key accomplishments for FY23.

The group has continued to build additional strength in the business model with increased focus on recurring revenue streams to complement work on larger scale projects. Increased cash flow from operations through improved supply chain controls and other business improvement measures have contributed to a strengthened balance sheet and financial position. Cash on hand increased to \$9.4 million and net assets increased by \$11.3 million over the period.

Revenue pipelines established during previous financial periods supported by additional opportunities developed through FY23 contributed to the strong performance across the group and have resulted in financial results for FY23 exceeding initial projections. Consolidated revenue of \$82.7 million, an increase of 44.9% over FY22 (\$57 million), resulted in a normalised EBITDA of \$6.7 million (FY22 \$4.4 million), a year-on-year increase of 51.8% before significant items of \$801,512. Sound outcomes for each business unit contributed to this excellent result.

EGL Clean Air revenue increased by 115% with an increase in EBIT of 132%, EGL Energy revenue increased by 26.3% with EBIT up 15.5%, Baltec IES revenue increased by 4.4% with EBIT up 2.2%.

EGL Waste revenue grew from \$0.5 million to \$4.8 million.

A successful capital raise and share placement plan raised \$8.7 million in the fourth quarter of FY23 to facilitate the strategic acquisition of Airtight Pty Ltd, representing a significant addition to the EGL portfolio.

As one of Australia's leading air pollution control providers, Airtight's well-established presence in the mid-tier market opens substantial opportunities for expansion into this sector. Complementing TAPC's target network in heavy industry, Airtight's excellent reputation for providing small- and medium-sized airborne dust collection solutions enables a major increase in market diversification, while simultaneously facilitating strong synergy with existing business units.

Positive corporate culture is central to our success, and we are extremely pleased that Airtight's highly experienced management team bring another close alignment with core EGL values and culture, and their addition to the group provides additional opportunities for company-wide collaboration. Airtight's steady financial growth, engineering and managerial aptitude, and shared commitment to delivering innovative and sustainable solutions provide strategic and revenue benefits, while further augmenting consistent cash flow. Working in collaboration with TAPC, Airtight forms a key component of the EGL Clean Air division.

Throughout the year, the evolution of product and service offerings with a focus on environmentally sound solutions has provided additional strength to the group portfolio and resulted in secured work in the solar industry, value enhanced technologies in

waste treatment and recycling, and ground-breaking technologies in water treatment.

The culmination of several years of development, the sale of the first commercial PFAS separation unit in Q4 signifies a significant achievement for EGL Water, positioning EGL at the forefront of the rapidly growing PFAS treatment market. Research into the use of technology derived from this intellectual property to treat PFAS in contaminated soil is underway with promising initial results.

Complementing the successful execution of the first PFAS plant project, EGL announced a strategic partnership agreement with US-based company 374Water Systems Incorporated, including exclusive reseller rights for the AirSCWO™ waste slurry destruction system – innovative technology that effectively destroys several waste streams, including PFAS. The agreement with 374Water also provides for the procurement, deployment and maintenance of AirSCWO systems in the local market.

Baltec IES engineering teams have developed world class solutions to improve community outcomes in areas such as noise mitigation and equipment efficiency. Whilst there is an increased focus on renewable energy globally, the role of gas turbine electricity generation has maintained its place as a key component to ensure reliable supply during uncertain conditions and in peak periods. In addition to an extremely strong pipeline in our traditional areas of supply, Baltec IES is also evolving to provide innovative solutions to renewable energy projects.

Combined with technologies delivered by TAPC and EGL Water, EGL Waste is at the industry forefront for market leading environmental solutions. Whilst project timing remains a key consideration with Government and regulatory approval processes beyond the control of our clients, we are seeing continued growth potential and enhanced opportunities in this sector.

FY23 was a year of consolidation for EGL Energy as supply chain fluctuations stabilised in the second half of the year. The challenges faced by the sector over recent periods provides an opportunity for growth in market share in a weaker competitive landscape, which in combination with an increased pipeline in service contracts and growing demand for energy efficient combustion technologies contribute to a strong outlook for FY24.

TAPC performed extremely well across the year, delivering strong financial results and developing diversified revenue streams in conjunction with EGL Waste, supported by growth in higher margin opportunities in smaller projects, service and spares. The demand for lithium and rare earth processing to meet the evolving needs of the renewable energy and other sectors continues to provide growth opportunities for off-gas treatment systems designed and delivered by TAPC.

At the conclusion of a year of significant achievements, our teams have once again demonstrated the capacity to execute strategy and maintain a responsive and agile mindset in an unpredictable climate. Maintaining focus on consolidating our position to improve shareholder returns while identifying and capitalising on new opportunities encourages stable and sustained growth, while enabling the pursuit of improved environmental outcomes. Creating a culture that places safety first means our teams understand that looking out for one another is not simply a set of policies, but a mindset that benefits us all. Our emphasis on sustainability and future-focused decision-making is just as applicable to corporate strategy as it is to environmental protection. As governments and global society increasingly campaign for sustainability, the demand for environmental solutions continues to grow. EGL is positioned as an industry forerunner delivering proven world-class results.

As EGL moves to the next stage of growth, the priorities of the Board have also evolved - ensuring the appropriate structures and resources are available to support the execution of strategy and to leverage opportunities developed through FY23. Developing an increasingly sophisticated risk management mindset in line with revenue and growth projections, continuing to foster an appetite for innovation in targeted markets, and consolidated operational practices that strengthen safety, margins, and quality outcomes for both the environment and our clients will be the focus for FY24 in addition to a systematised Board renewal process.

In alignment with our commitment to Environment, Sustainability and Governance targets and reporting, areas of continuous improvement have been considered: corporate risk assessments and audits, policies, standards and guidelines, sustainability initiatives and targets.

Looking to the year ahead, the foundations that have been laid put EGL at the forefront of addressing tomorrow's challenges. Work already secured and strong pipelines across the group provide confidence in projections for FY24, including EBITDA growth of more than 30% subject to stable market conditions.

On behalf of the Board and executive team I would like to once again thank our clients, stakeholders and shareholders for their trust and confidence in EGL and look forward to another year of growth in FY24.



Lynn Richardson
Chair



CEO Report 2023

Strong outcomes, driven by values



Dear Shareholders,

I am pleased to report to you on the progress of the business over the last financial year, one which I consider to be a great success on many fronts – from the culture we are building and the quality of the people that represent your company, to the financial results we have been able to deliver for our shareholders.

In March of this year, the executive team got together off-site for two days – clear on our three-year strategy, but keen to determine the values by which we wish to lead the company.

As a result of the meeting, we determined our key leadership values to be:

- Hard work
- Trust and integrity
- Accountability
- Entrepreneurial and flexible
- Teamwork and sustainable

At the Environmental Group Limited, we are 'engineering a sustainable future' – a goal which points to several outcomes. Environmental sustainability is a core EGL value, but we are also building a business which is economically sustainable. We achieve this through creating an attractive workplace for our staff, risk controls for business improvement, strong financial returns with recurring revenue streams, balance sheet strength, and a focus on being flexible in meeting the business needs and quality expectations of our clients. Our leadership values drive these outcomes.

It is pleasing to report we had zero lost time injuries for the year, with close to a quarter of a million hours worked – a great focus by the team. Staff turnover post-pandemic has decreased, and we believe we have found a good balance between creating a flexible workplace and meeting the expectations of our shareholders and clients.

From a financial perspective, the business performed exceptionally, with revenue of \$82,672,245 up 44.9% (FY22 \$57,065,291). EBITDA improved significantly, up to \$6,660,670 – an increase of 51.8% (FY22 \$4,388,487), and EBIT up to \$4,947,499, an increase of 64.6% before significant items (\$801,512 – restructuring costs of \$35,000, acquisition costs of \$316,815, FX losses of \$118,941 and performance rights at \$330,756).

The very strong financial result was driven by our 3-year growth strategy – offering all the services provided by The Environmental Group to our client base as 'One EGL', while simultaneously broadening our target market further into the waste sector, a multibillion dollar industry in Australia. The sector going through significant change as part of the movement toward a circular economy through lifting recycling levels of waste, deriving valued products from waste streams and minimising environmental impact. EGL is well-positioned to be part of this landmark change in the industry, following the introduction of the Recycling and Waste Reduction Act 2020 – legislation targeting a significant improvement in recycling rates and a ban on waste being exported from Australia.

Each of the EGL divisions plays a role in providing the 'one-stop shop' solution. EGL Waste delivers recycling and sorting technologies, EGL Clean Air (TAPC & Airtight) for dust, fume, air emission and odour controls, and EGL Energy (Tomlinson Energy Services & Ignite Services) for heat exchange, biomass boilers and autoclaves. As waste treatment technologies in Australia develop further into the waste-to-energy industry, Baltec has the expertise in intake and offtake systems for turbines and thermal dynamics to support this shift. The acquisition of Airtight Solutions Pty Ltd in May of this year, and the commercialisation of our PFAS separation technology, strengthen our ability to further service the waste sector on many fronts.



Total Air Pollution Control (TAPC) had a standout year of performance from the growth in revenue in providing treatment systems in the lithium and rare earth refining sectors, combined with increased sales of servicing and spares. This led to an increase in revenue of 115% to \$16,960,885 and EBIT up 132% to \$2,892,510. During the year, we approached completion of the gas offtake system for the Covalent Lithium refinery in Western Australia and progressed significantly on the Hastings Rare Earths project. I am pleased to say, both projects have been delivered to date and on budget, and maintained our forecast margins. This is a credit to our engineers and project teams, given the inflationary environment and the risk-based approach we implemented for the major equipment procurement for these projects. Lithium and rare earth demand continue to grow as Australia moves further into renewable energy generation and the use of electric vehicles, with several more projects being tendered in the pipeline.

Service and spares sales continue to be a growth avenue for the business as we focus on building our recurring revenue from existing installed capacity. Increasing environmental measures to ensure air pollution control systems are operating efficiently and at the required standard underpins the need for good system maintenance. In this financial year alone, sales of service and spares grew by 39% at strong margins, contributing to 40% of EBITDA. Smaller projects driven by our operations team performed very well, delivering margins above expectations for the period. We simultaneously expand into the waste sector through the provision of dust extraction systems. Installation of one such system for the world-class Rino Resources construction and demolition waste recycling plant in Brisbane is currently underway.

During this financial year, we acquired Airtight Solutions Pty Ltd, and we warmly welcome them into the group. Airtight is one of the largest specialist air pollution control companies operating in Australia, with an extensive track record and a focus on reliability, premium service, and safety.

Airtight's key offer includes dust and fume control through the design, installation, and maintenance of air pollution control equipment, engineered solutions to provide resources required for the delivery of pollution control projects, waste-to-energy via an extensive range of waste reduction technologies, and after-sales servicing.

The acquisition represents a major expansion of the EGL presence in the air pollution control market and extends our solutions offering to include small- and medium-size airborne dust collection solutions and associated services and products. This strengthens EGL Clean Air's position in Australia as the leading company in the air pollution control sector. Airtight serves several key client industries – including automotive, agriculture, manufacturing, joinery, metal and polishing, food and pharmaceutical, paper and printing, and recycling and waste recovery.

Airtight were already integrated into our systems platform by the 1st of July, and is now operating on the group's systems and processes. The business has performed well since the acquisition in May and is already providing services to our existing client base. Like all acquisitions, it is a significant event for the staff involved; we are working closely with the Airtight team to welcome them into our group, and to provide them with new opportunities for growth and development.



Tomlinson Energy Services (TES) and Ignite

Services combined to have a sound financial year, with revenue up 26.3% to 36,866,040 and EBITDA up 17.7% to \$3,792,894. Margins were affected earlier in the year as we felt the impact of shipping costs increasing significantly, compounded by rising steel, valve, and instrument prices. The cost of new boilers landed and installed during the period was higher than expected, resulting in EBITDA margins being lower by 70 basis points. Services remained very strong, bolstered by increased installed capacity – and I am pleased to say that by the 4th quarter shipping costs had largely returned to pre-pandemic levels, improving margins. Ignite had a very strong contribution to the group from a financial viewpoint, but also contributed significantly to the can-do culture of the company and the One EGL vision.

With the rising cost of natural gas, our clients look to optimise combustion efficiency and utilise alternate fuel sources, including biomass boilers which convert waste products into heat and hydrogen for use as fuel. With our knowledge of combustion systems and heat exchange, we are at the forefront of the circular economy and well-placed to provide solutions to the industry.



Baltec had another solid year, with revenue up 4.4% to \$20,141,945 and EBIT up 2.2% to \$1,524,594. I am particularly pleased with this result as we drive margin expansion through the business. This was achieved after several warranty costs went through the profit and loss in FY23 from work performed prior to COVID that could not be completed due to travel restrictions. Without the impact of the warranty work, EBIT margins would have lifted by approximately 2%. The order book is strong going into 2024, with significant activity in the gas

turbine sector. With the current global energy crisis and ongoing efforts to strike a balance between renewable energy and traditional energy sources, demand for our services is at a high level. With systems and processes firmly in place and a strong pipeline, Baltec is positioned to show strong performance in FY24.

We continue to be a market leader in leveraging the thermal dynamics of gas turbines as peaking load capacity. Clients have requested a greater focus on reducing noise pollution from turbines in operation – the design of our gas turbine silencers is class-leading and a credit to our engineering team's innovation. This team also adapted their intellectual property from gas turbine air intake system design to air intake systems for solar farm inverters. This system removes particulate matter while maintaining required inlet flow rates to allow cooling of inverters. The technology provides a significant reduction in the risk of inverter failure, while increasing power output for the solar farm and lowering OHS hazards. The solar farm industry has seen significant growth in Australia, with 151 registered solar farms producing greater than 5 MW as of the end of 2022. Innovations such as these open new markets, leveraging our existing intellectual property. EGL will offer this product as a solution to a significant solar industry problem, particularly applicable to solar farms in dry and dusty locations.



EGL Waste is the centrepiece for offering all EGL services to the waste industry. With recycling plants through the Turmec agency agreement, dust and particulate matter extraction from EGL Clean Air, and sterilisation and combustion technologies via EGL Energy, EGL provides a one-stop solution

to the waste treatment industry. In its first full year of trading, EGL Waste contributed revenue of \$4,762,927 and EBITDA of \$853,363 – a result we are very proud of. The sale of the Rino construction and demolition plant has continued to proceed at pace, with installation well underway as supervised by EGL. The tender book for further plant sales remains strong, with approximately \$140M awaiting award. The macro-outlook continues to be favourable following the introduction of the Recycling and Waste Reduction Act 2020.

EGL Waste has continued to extend its offering into the market. From the existing Turmec recycling plants, dust extraction and asbestos detection, we now include Vecoplan shredders, PellencST Optic sorters, NiHot Wind shifters and IFE materials handling equipment should our clients require plant upgrades on different OEM components. I am also pleased to report that our service technicians are being trained to service and maintain installed capacity.

As announced to the ASX on 30 June 2023, EGL has executed a Strategic Partnership Agreement (SPA) with 374Water Systems, Inc. (NASDAQ: SCWO) for the exclusive distribution of the AirSCWO technology in Australia and New Zealand. 374Water has developed and commercialised the innovative AirSCWO™ system – a modular waste slurry destruction technology which destroys all organic compounds, including PFAS. The technology utilises a physical-thermal process powered by air and water above its critical point (374°C and 221 bar), yielding a highly effective oxidation reaction that eliminates persistent organic compounds. At scale, the process generates energy and safe by-products which can be recovered and reused.

While in the early stage of commercialisation, this technology has many applications in destroying organic waste streams, including PFAS and other persistent organic pollutants that are harmful to the environment.



The last financial year has been a period of achieving milestones, with the first commercial plant delivered on time and on budget in September 2022. The plant was completed on the client's site by mid-January for EPA approval. During commissioning, the plant processed various liquid waste streams, providing samples to be collected and sent to laboratories for analysis. All PFAS waste streams treated resulted in regulated PFAS being removed to below detectable levels, proving the effectiveness and versatility of the technology. Off the back of these results, EGL received an order for the plant in June of this year, with the sale of the first plant subject to the site's EPA approval.

Through the testing and commissioning of our first commercial plant we have demonstrated the versatility of the technology. In treatment of various waste streams of PFAS at different volumes and contaminate levels, these strong results will enable EGL to target various markets and PFAS streams throughout Australia as well as internationally; we have commenced marketing PFAS plants to diverse markets and customers. Our system allows us to tailor-make a plant to meet specific customer requirements, allowing us to target a wide range of markets – including airports, water authorities, petrochemical, and local government (landfill). Our low-cost system, designed and built in Australia, is a cost-effective way to deal with PFAS problems that continue to emerge.

Conclusion

I am pleased to report that the financial strength of EGL continued to grow throughout the year, with net assets increasing by \$11,261,388, cash on hand totalling \$9,367,213, and an undrawn working capital facility of \$5,000,000. The strength of our balance sheet reflects the improved focus on cashflow and margins within the business.

EGL is again expecting that financial results will continue to improve in FY24. At this stage, we are expecting that normalised EBITDA will increase by greater than 30% – achieving three successive years of substantial earnings growth for the company will be a significant milestone. These results are accomplished through the hard work and dedication of our staff – it is rewarding to see the use of our intellectual property creating new opportunities for growth. To our people, customers, stakeholders, and shareholders, thank you for your ongoing support.



Jason Dixon

EGL CEO

Our Approach to Sustainability

Sustainability is critical to the ongoing success of The Environmental Group Limited. It is integrated into all areas of our business – strategy setting, risk management processes and all decision-making.

Our sustainability commitments are developed in collaboration with our stakeholders. EGL aims to protect the health and safety of our employees and those who use our products and systems, enhance our environment by increasing the reuse and recycling of materials through the production cycle, continually improve product design, and create value for our investors in an ethical and transparent manner.

As a values-based company, strong environmental, social, and corporate governance is a priority for EGL. Being early in ESG reporting, our focus is on the areas we can have the greatest impact and mitigate our most material risks. We are starting with our people – creating a positive mindset and culture, encouraging our teams to work together to find new solutions, and building partnerships with those who share our goals.

During 2023, a Materiality Assessment was conducted to determine those topics that may present challenges to our ability to achieve our objectives and targets. In determining these topics, the following was considered:

- 01 Corporate risk assessments and audits
- 02 Policies, standards and guidelines
- 03 Sustainability initiatives and targets

Materiality was validated by Functional Leads and our Executive team, with 14 topics being selected for focus through FY24. In line with the EGL commitment to operating with integrity, these topics will form the basis of the Company's first annual ESG Statement, to be published in the FY24 Annual Report:



Environment

- 01 Limit harmful pollutants and chemicals entering the Environment
- 02 Renewable energy use
- 03 Waste Reduction
- 04 Environmental Regulation Compliance



Social/People

- 05 Ethical supply chain
- 06 Pays fair wages/salaries
- 07 Employee Health & Safety
- 08 Ethical conduct with Customers
- 09 Product Safety
- 10 Training & Education
- 11 Performance reviews/ career developments



Governance

- 12 Impartial Board of Directors
- 13 Accurate and transparent accounting methods
- 14 Transparent Corporate Governance Statement



Environment

As a supplier of a wide range of Engineered solutions to the Environmental sector, EGL is helping clients achieve their environmental targets in the following key areas:

Noise Pollution

Continual improvement to our noise reduction technology – including silencers supplied to the gas turbine industry which help decrease noise pollution and meet strict legislative requirements – improving living conditions for surrounding communities.

Air Pollution

Development and design of highly efficient, state-of-the-art industrial air pollution control technologies, allowing our clients to comply with the strictest international air emission standards. This prevents pollutants such as noxious gases (including acid gases and persistent pollutants like dioxins or mercury), mists, particulate matter, heavy metals, and odorous compounds from entering the environment.

Water Pollution

Providing separation and destruction technology systems for persistent organic pollutants to assist clients in ensuring their users and the broader community have access to safe water supplies.

Waste Management

Designing and supplying recycling plants that are diverting a significant tonnage of waste materials away from landfill, reducing the amount of methane gas being released into the environment.

GHG Control

Providing burner management systems now capable of the simultaneous firing of both natural gas and biogas, with in-built carbon monoxide control enabling optimum combustion throughout the range.

These systems offer clients the option of consuming off gases that would otherwise be flared, this being a major source of CO2 emissions. Our custom designed inlet systems optimise the airflow into energy generating systems, enhancing their efficiency, consuming less fuel per unit of power generated, and leading to reduced greenhouse gas emissions and lower resource consumption.

Internally, EGL is committed to responsible resource management. Climate action initiatives are in place to reduce the use of non-renewable energy sources and enhance energy efficiency through optimised transportation and logistics.

Waste reduction measures are in implementation, including recycling and reusing materials wherever possible. Efforts are being made to source materials sustainably to reduce the impact on ecosystems through responsible procurement practices.



Social/People

Our People

It is because of the passion and dedication of our people, who show their commitment to our strong values every day, that we can maintain our commitment to integrating sustainable practices into all aspects of the business.

EGL is a values-based business that celebrates diversity and inclusiveness, empowering a thriving workplace of choice. Through training, employment and business development opportunities, EGL delivers positive social and economic benefits to staff. By empowering our people, we continue to challenge the status quo and sustain operational excellence, achieve our stretch targets, drive future success, and deliver strong returns to our shareholders.

All People

We are committed to respecting and promoting the human rights of all people, including our employees and those within our supply chains. The EGL Code of Conduct and Fair Work and Trade Policy are our foundation documents, affirming our strong commitment to respecting human rights and eradicating modern slavery as the company continues to grow.

The EGL commitment to our customers and suppliers is to:

- Conduct our business in a fair-trading manner, free from unconscionable conduct, collusion or other anti-competitive practices, and to
- Take all reasonable steps to identify and address risks of modern slavery in our supply chains

Key actions undertaken during FY23 included:

- Completion of a salient human rights risk assessment to identify areas with the greatest potential to impact the human rights of people across the EGL value chain.
- Incorporation of modern slavery assessment into our procurement procedure to provide a framework for supplier screening

As a global supplier, EGL recognises that we play a role in addressing modern slavery by working collaboratively with our suppliers and communities around the world. EGL CEO, Jason Dixon, said:

“As we continue to expand our supplier base globally, EGL will work to raise awareness of this issue and the need for urgent and effective action.”

We are also focused on supplying solutions to the renewable energy and waste management sectors, engendering improvement of working conditions and safety for those carrying out maintenance activities. Examples of our progress in FY23 are our recent design of inlet filter systems for solar farms – significantly reducing the man-hours of maintenance required under harsh and high-risk conditions – and fire and asbestos detection systems for waste management plants.



Governance

Good governance is the collective responsibility of the Board and all levels of management. EGL adopts contemporary governance standards and applies these in a manner consistent with our values. We support the intent of the 4th Edition of the Australian Securities Exchange (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations. Unless otherwise disclosed, we report against the requirements of these Principles and Recommendations.

Our primary principles for good governance are:

- 01 Having an independent and diverse Board of Directors - ensuring effective decision making and oversight
- 02 Transparency and Accountability – providing clear accurate information to our shareholders on initiatives and progress
- 03 Ethical Business Practices – prohibiting any form of unethical behaviour both internally and within business relationships
- 04 A public Corporate Governance Statement, detailing our overall approach to corporate governance, available on our website at www.environmental.com.au

Future Goals

EGL remains committed to achieving its sustainability targets through:

- Strengthening the company's commitment to renewable energy adoption
- Enhancing employee well-being and promoting work-life balance
- Exploring opportunities to further reduce waste and pollution and improve resource efficiency through product design enhancements

EGL recognises the importance of sustainability in today's business landscape. As part of our long-term vision, we aim to further integrate sustainability into the core of our operations and foster positive change in the environment.

Directors' Report



The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of The Environmental Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors

The following persons were Directors of The Environmental Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Ms Lynn Richardson

Chair (Non-Executive)

Mr Adrian Siah

Independent Director (Non-Executive)

Mr Graeme Nayler

Independent Director (Non-Executive)

Mr Vincent D' Rozario

Independent Director (Non-Executive)

Interests in the shares and options of the Group and related bodies corporate

As at the date of this report, the interests of the Directors in the shares and options of The Environmental Group Limited ('EGL') were:

	No. of Ordinary Shares	No. of Options over Ordinary Shares
Ms Lynn Richardson	3,825,001	-
Mr Adrian Siah	7,389,724	-
Mr Graeme Nayler	268,000	-

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Principal activities

The principal activities during the period ending 30 June 2023 of the entities within the Group were design, application and servicing of innovative gas vapour and dust emission control systems, inlet and exhaust systems for gas turbines, engineering services, developing innovative water treatment and service install provider for heat transfer plant and equipment primarily related to boilers including 24/7 customer service for mechanical, electrical and automation support to a wide variety of industries. Waste agency agreement with an engineering and fabrication company of waste recycling plant and

equipment. During the last quarter of the year the Group purchased Airtight Pty Ltd Airtight is a leading supplier of air pollution control systems and filtration solutions.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

In the opinion of the Directors', no other significant changes, not otherwise disclosed in this report or the consolidated financial statements occurred in the state of affairs of the Group during the financial year under review.

Environmental regulation

The Group's operations may have an environmental impact. Where the Group undertakes site installation work it is typically incumbent upon the Group to address environmental issues in relation to those sites. This usually involves the preparation and implementation of an Environmental Management Plan for the site. Activities of this nature and environmental issues generally are addressed by and carried out under The Environmental Group Management System.

No significant environmental issues were reported or recorded on any EGL sites during the financial year and the Group met all its obligations in this area.

Information on Directors



Ms Lynn Richardson

Chair (Non-Executive)

Appointed to the Board: 22 May 2015;
elected Chairman 23 November 2017.

Ms Lynn Richardson is an experienced non-executive director focusing on building shareholder value through positive corporate culture, innovation, and delivery against strategic goals. Ms Richardson is experienced with ASX listed organisations, not for profit and government boards. In addition to her role with EGL, Ms Richardson is a current director of Sustain: The Australian Food Network. Sustain is a “think and do” network, specialising in designing and building sustainable & healthy food systems. They work for the transition to a food system that supports flourishing communities, individuals, and ecosystems. Ms Richardson is also the Elected Director, William Angliss Institute.

A graduate of the Australian Institute of Company Directors, Ms Richardson holds an MBA from the Australian Graduate School of Entrepreneurship, Post Graduate qualifications in professional accounting and in educational research from the University of Melbourne.

Prior to her current position as EGL Chair, Lynn was a member of the Baltec IES executive committee where her strategic leadership contributed to the company’s significant growth.

Interest in shares:	3,825,001
Interest in options:	Nil
Interest in rights:	Nil
Contractual rights to shares:	Nil



Mr Adrian Siah

Director (Non-Executive)

Appointed to the Board 17 September 2020

Mr Adrian Siah has a strong financial management background specifically related to financial control, capital markets, mergers and acquisitions and growth funding for businesses. He initially qualified as a chartered accountant in New Zealand and worked in that capacity with one of the larger firms for several years before moving into investment banking.

Mr Siah is a member of the CA ANZ with a degree in Accounting from the University of Waikato New Zealand and is a member of the Australian Institute of Company Directors.

Mr Siah brings additional management skills to the Board, as well as broad connections in the investment community and in South East Asia.

Interest in shares:	7,389,724
Interest in options:	Nil
Interest in rights:	Nil
Contractual rights to shares:	Nil



Mr Graeme Nayler

Director (Non-Executive)

Appointed to the Board 25 March 2021

Mr Graeme Nayler is an accomplished Executive Manager and Board Director with a track record of driving significant growth and value. Graeme was recently appointed to the position of Regional Director for BMT Asia Pacific to support significant investment and planned growth in the region. Prior to BMT, Graeme has recently completed his roles at Silentium Defence a technology start-up and Babcock where he grew the business from \$30M to over \$500M annually over an 8-year period. Graeme held roles as both a Managing Director and Executive Director for Strategy and Future Business including a board member of the Australasian business. Graeme has significant experience across many industries, including defence, government, mining and construction, emergency services, oil and gas, airports, automotive, ports, and engineering consultancy.

Prior to Babcock, Mr Nayler was an Executive at Nova Systems and an Officer in the Australian Defence Force for over 15 years.

Mr Nayler brings 30 years of experience in a diverse range of industries and environments and has extensive strategy, business development, commercial, corporate affairs and program management experience. This is supported by his deep technical knowledge in engineering, operations, safety management and enterprise risk. Mr Nayler's experience provides EGL with a solid foundation to support ongoing governance critical for a rapidly growing business.

Mr Nayler has a master's in science from the University of Kingston in London and a Company Directors Diploma from the Australian Institute of Company Directors.

Interest in shares:	268,000
Interest in options:	Nil
Interest in rights:	Nil
Contractual rights to shares:	Nil



Mr Vincent D'Rozario

Director (Non-Executive)

Appointed to the Board 25 March 2021

Mr Vincent D'Rozario was appointed as Non-Executive Director in March 2021. An executive leader adept at business transformation and growth, Vincent has forged his career in the highly competitive business sectors of major project delivery, commercial aviation and heavy steel manufacturing.

He has a strong track record in purpose led transformation bringing businesses to their desired market position. Vincent is driven by challenge and thrives on leading organizational change and strategic organic and inorganic growth.

After a career spanning over 27 years in global roles with Aker Solutions, Global Process Systems and Jacobs, Vincent moved to the commercial aviation sector where he held the role of Regional Managing Director for CHC Helicopters APAC for 6 years prior to joining Austin. Vincent provides a strong focus on improving and growing both the top and bottom lines leading to increased shareholder/owner value.

In addition to his NED role at EGL, Vincent is the Chief Operating Officer for Austin Engineering Limited (ASX:ANG).

A strong safety advocate, Vincent is an accomplished cognitive behavioural practitioner which he applies to both safety also to business leadership. Vincent has a

degree in Electrical Engineering from Victoria University of Technology and is a graduate of the Australian Institute of Company Directors.

Interest in shares:	Nil
Interest in options:	Nil
Interest in rights:	Nil
Contractual rights to shares:	Nil

Company Secretary

Mr Andrew Bush has held the role Company Secretary since 1 July 2017. Andrew is a Fellow Certified Practising Accountant, Associate Member of the Institute of Chartered Management Accountants.

Ms Kate Goland was appointed joint Company Secretary on 27 October 2022. Kate is a BCom, CPA, GIA (Affiliate) of CSB Corporate Services.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each Director were:

Full Board	Attended	Held
Ms Lynn Richardson	12	12
Mr Adrian Siah	12	12
Mr Graeme Nayler	12	12
Mr Vincent D'Rozario	12	12

Nomination and Remuneration Committee	Attended	Held
Ms Lynn Richardson	2	2
Mr Adrian Siah	2	2
Mr Graeme Nayler	2	2
Mr Vincent D'Rozario	2	2

Audit and Risk Committee	Attended	Held
Ms Lynn Richardson	2	2
Mr Adrian Siah	2	2
Mr Graeme Nayler	2	2
Mr Vincent D'Rozario	2	2

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

June 2023 board meeting was held 26 July 2023.

Corporate Governance Statement

EGL is committed to maintaining a sound corporate governance framework in the best interests of EGL, shareholders and stakeholders more generally.

The Corporate Governance Statement outlines EGL's approach to corporate governance, and its compliance with the ASX Corporate Governance Principles and Recommendations.

<https://www.environmental.com.au>





Remuneration Report

(Audited)

This Remuneration report outlines the Directors and Executive Key Management Personnel remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and the Corporate Regulations 2001. For the purposes of this report, Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether Executive or otherwise).

For the purposes of this report, the term Executive encompasses the Chief Executive Officer, Chief Financial Officer, National Sales and Marketing Manager and Chief Operating Officer of the Group.

Remuneration committee and philosophy

The objective of the Group's remuneration policy is to ensure that Senior Executives of the Group are motivated to pursue the long-term growth and success of the Group within an appropriate control framework and that there is a clear relationship between performance and remuneration.

The remuneration structures offered to Senior Executives are designed to attract and retain suitable qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creating value for shareholders. The remuneration structures take into account:

- The capacity and experience of the Senior Executives
- The Senior Executives' ability to control the performance of areas of the Group's business
- The Group's performance including earnings and overall returns to shareholders
- The amount of incentives within each Senior Executives' remuneration

Executive and Non-Executive Directors remuneration

The Executive and Non-Executive Directors of the Company are entitled to a fee that is determined by the Remuneration Committee on the commencement of the role and on an annual basis thereafter. The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders based on the size and nature of the Company.

Each Non-Executive Director receives a maximum fee of \$48,000 for being a Director of the Company. The Chair of the Board receives a maximum fee of \$150,000. No additional fee is paid to a director who sits on a Board committee.

The Directors do not receive retirement benefits in excess of their Directors fees, nor do they participate in any incentive programs. The remuneration of Directors for the periods ended 30 June 2023 and 30 June 2022 are detailed in tables 1 and 2 respectively of this report.

Executive remuneration

Total remuneration for Senior Executives is described below:

Fixed remuneration

Fixed remuneration is provided, being a guaranteed salary that is set by reference to market conditions, the scope and nature of the Executive's role and their performance and experience. Market research of both an informal and formal nature is periodically undertaken to determine market salary levels. Group superannuation contributions are included in the fixed remuneration. Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the

recipient without creating undue cost for the Group. The fixed remuneration component of Executives is detailed in table 1 and 2 of this report.

Group performance - Directors and Executives' remuneration

The remuneration policy and practices are aimed at aligning remuneration of key staff with the performance of the Group and with the wealth of shareholders. Other than reflected within the tables below, no short term or long-term incentives have been paid for the 2023 financial year.

Executives

All Executives have rolling contracts. The Group may terminate the Executive's employment agreement by providing three month's written notice or providing payment in lieu of the notice period with the exception of the CEO, CFO, National Sales and Marketing Manager and the COO who have a three month written notice period. The Group may terminate these contracts at any time without notice if serious misconduct has occurred. Where termination with cause occurs, the Executive is only entitled to that portion of remuneration that is fixed and only up to the date of termination.

Voting and comments made at the company's 2022 Annual General Meeting

At the 2022 AGM, 92.2% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The company did not receive any specific feedback at the AGM regarding its remuneration practices

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group including Directors of the Group:

- Ms Lynn Richardson: Non-Executive Chairman (Appointed Chair 23 November 2017)
- Mr Adrian Siah: Non-Executive (Appointed 17 September 2020)
- Mr Graeme Nayler: Non-Executive (Appointed 25 March 2021)
- Mr Vincent D'Rozario: Non-Executive (Appointed 25 March 2021)
- Mr Andrew Bush: Chief Financial Officer and Company Secretary (Appointed CFO 25 May 2017 and Company Secretary 1 July 2017)
- Mr Jason Dixon: Chief Executive Officer (Appointed 8 February 2021)
- Mr Paul Gaskett: National Sales and Marketing Manager: (Appointed 8 February 2021)
- Ms Brenda Borghouts: Chief Operating Officer (Appointed 28 February 2022)

Table 1: Remuneration report - remuneration for year ended 30 June 2023

2023	Short-term benefits			Post-employment benefits	Long-term benefits	Performance Rights	Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long Service Leave \$	Equity-settled \$	
Non-Executive Directors							
Ms Lynn Richardson	88,000	-	-	9,240	-	-	97,240
(1) Mr Adrian Siah	48,000	-	-	-	-	-	48,000
(2) Mr Graeme Nayler	48,000	-	-	-	-	-	48,000
Mr Vincent D'Rozario	43,438	-	-	4,562	-	-	48,000
Other Key Management Personnel							
Mr Jason Dixon	279,100	-	-	29,201	-	107,149	415,450
Mr Andrew Bush	278,100	-	-	29,291	-	50,000	357,391
Mr Paul Gaskett	235,159	-	-	24,692	-	53,574	313,425
Ms Brenda Borghouts	209,295	-	-	21,976	-	26,037	257,308
	1,229,092	-	-	118,962	-	236,760	1,584,814

Notes to Table 1:

- 1) Paid from 1 July 2022 to 30 June 2023 to Gem Syndication Pty Ltd in relation to Directors Fees.
- 2) Paid from 1 July 2022 to 30 June 2023 to GJN Professional Services Pty Ltd in relation to Directors Fees.

Table 2 - Remuneration report - remuneration for year ended 30 June 2022

2022	Short-term benefits			Post-employment benefits	Long-term benefits	Performance Rights	Total \$
	Cash salary and fees \$	Cash bonus \$	Non-monetary \$	Super-annuation \$	Long Service Leave \$	Equity-settled \$	
Non-Executive Directors:							
Ms Lynn Richardson	87,500	-	-	8,750	-	-	96,250
(1) Mr Adrian Siah	48,000	-	-	-	-	-	48,000
(2) Mr Graeme Nayler	48,000	-	-	-	-	-	48,000
Mr Vincent D'Rozario	43,636	-	-	4,364	-	-	48,000
Other Key Management Personnel:							
Mr Jason Dixon	271,500	-	-	27,150	-	90,348	388,998
Mr Andrew Bush	266,666	46,500	-	31,317	-	40,000	384,483
Mr Paul Gaskett	228,311	-	-	22,831	-	45,174	296,316
(3) Ms Brenda Borghouts	67,436	-	-	6,743	-	13,413	87,592
	1,061,049	46,500	-	101,155	-	188,935	1,397,639

Notes to Table 2:

- 1) Paid from 1 July 2021 to 30 June 2022 to Gem Syndication Pty Ltd in relation to Directors Fees.
- 2) Paid from 1 July 2021 to 30 June 2022 to GJN Professional Services Pty Ltd in relation to Directors Fees.
- 3) Paid from 28 February 2022 to 30 June 2022.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2023	2022	2023	2022	2023	2022
Non-Executive Directors:						
Ms Lynn Richardson	100%	100%	-	-	-	-
Mr Adrian Siah	100%	100%	-	-	-	-
Mr Graeme Nayler	100%	100%	-	-	-	-
Mr Vincent D'Rozario	100%	100%	-	-	-	-
Other Key Management Personnel:						
Mr Jason Dixon	86%	77%	-	-	14%	23%
Mr Andrew Bush	74%	78%	-	12%	26%	10%
Mr Paul Gaskett	83%	85%	-	-	17%	15%
Ms Brenda Broughouts	90%	85%	-	-	10%	15%

Share-based compensation

The share-based compensation for Directors and other key management personnel as part of compensation during the year ended 30 June 2023 were limited to the performance rights as per the following page.



Performance Rights

The terms and conditions of each grant of ordinary shares affecting remuneration of key management personnel in this financial year or future reporting years are as follows:

EBITDA Targets

Financial Year	EBITDA Targets	Expected EBITDA - Low 70%	Expected EBITDA - High 100%	Probability
FY23	6,000,000	4,200,000	6,000,000	100%
FY24	7,000,000	4,900,000	7,000,000	100%

KMP	Number of performance rights granted	Grant date	Vesting date and exercisable date	Exercise price	Fair value per performance right
Jason Dixon	4,333,333	8 February 2021	30 June 2023	\$0.00	\$0.04
Jason Dixon	4,333,333	8 February 2021	30 June 2024	\$0.00	\$0.04
Paul Gaskett	2,166,667	8 February 2021	30 June 2023	\$0.00	\$0.04
Paul Gaskett	2,166,667	8 February 2021	30 June 2024	\$0.00	\$0.04
Brenda Borghouts	75,471	11 March 2022	30 June 2023	\$0.00	\$0.27
Brenda Borghouts	75,471	11 March 2022	30 June 2024	\$0.00	\$0.27
Andrew Bush	250,000	12 October 2022	30 June 2023	\$0.00	\$0.20

On the 7 September 2022 the following performance rights were converted to fully paid ordinary shares after achieving 100% of the FY22 target. The rights are with a ratio of one for one share based on the number of rights that are issuable depending on the target achieved.

Jason Dixon	6,666,667
Paul Gaskett	3,333,333
Andrew Bush	313,462
Brenda Borghouts	33,121

Additional information

The following table summarises the Group's financial performance and share price over the past five financial years:

	2019 \$	2020 \$	2021 \$	2022 \$	2023 \$
Sales revenue	33,003,119	37,425,748	46,562,933	57,065,291	82,672,245
EBITDA	1,251,316	(128,116)	3,050,077	3,723,285	5,859,158
EBIT	988,624	(1,418,887)	1,759,467	2,145,864	4,145,987
Profit/(Loss) after income tax	735,228	(1,244,255)	1,711,056	1,553,664	2,613,069
Share price at financial year end (cents)	5.00	2.30	8.50	20.00	22.00
Total dividends declared (cents per share)	0.06	-	-	-	-
Number of shares issued	217,531,711	217,531,711	276,975,129	312,202,805	366,338,953

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties are set out below and in **Note 38**. There were no shares granted during the reporting period as remuneration.

Ordinary Shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ms Lynn Richardson	3,750,001	-	75,000	-	3,825,001
Mr Adrian Siah	7,389,724	-	-	-	7,389,724
Mr Andrew Bush	1,171,247	313,462	-	(102,677)	1,382,032
Mr Jason Dixon	13,670,580	6,666,667	-	-	20,337,247
Mr Paul Gaskett	6,835,290	3,333,333	-	-	10,168,623
Ms Brenda Borghouts	79,840	33,121	19,263	-	132,224
Mr Graeme Naylor	268,000	-	-	-	268,000
	33,164,682	10,346,583	94,263	(102,677)	43,502,851

Loans to key management personnel and their related parties

In 2023 (2022-nil) no loans were made to Directors of The Environmental Group Limited or other key management personnel of the Group, including their personally related parties.

Other transactions with key management personnel and their related parties

In 2023 (2022-nil) no other transactions were made to Directors of The Environmental Group Limited or other key management personnel of the Group, including their personally related parties.

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of The Environmental Group Limited under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of The Environmental Group Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to ensure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 39 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is consistent with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 38 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of RSM Australia Partners

There are no officers of the Company who are former partners of RSM Australia Partners.

Auditor's independence declaration

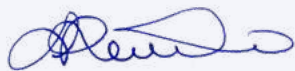
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

Auditor

RSM Australia Partners continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors,



Ms Lynn Richardson
Chair

23 August 2023



RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of The Environmental Group Limited and controlled entities for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to read 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read 'M Parameswaran'.

M PARAMESWARAN
Partner

Dated: 23 August 2023
Melbourne, Victoria

THE POWER OF BEING UNDERSTOOD
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RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation



Financial Statements

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General Information

The financial statements cover The Environmental Group Limited as a Group consisting of The Environmental Group Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is The Environmental Group Limited's functional and presentation currency.

The Environmental Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 1.01, Level 1, 10 Ferntree Place, Notting Hill Vic 3168 Australia

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 23 August 2023. The Directors have the power to amend and reissue the financial statements.



Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2023

		Consolidated	
	Note	2023 \$	2022 \$
Revenue from continuing operations			
Revenue	5	82,672,245	57,065,291
Costs of sales and provisions of services	6	(63,800,383)	(42,739,333)
Gross profit		18,871,862	14,325,958
Expenses			
Employee expenses	7	(7,723,421)	(6,406,825)
Depreciation and amortisation	8	(1,713,171)	(1,383,124)
Professional fees		(1,744,825)	(1,398,302)
Travel expenses		(1,153,662)	(762,381)
Marketing expenses		(350,519)	(479,531)
Occupancy expenses		(448,648)	(303,674)
Other expenses		(1,591,629)	(1,251,960)
Operating profit		4,145,987	2,340,161
Interest income		4,363	23
Interest expense	10	(274,661)	(194,320)
Profit before income tax expense		3,875,689	2,145,864
Income tax expense	11	(1,262,620)	(592,200)
Profit after income tax expense for the year attributable to the owners of The Environmental Group Limited	34	2,613,069	1,553,664
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of The Environmental Group Limited		2,613,069	1,553,664
		Cents	Cents
Basic earnings per share	47	0.80	0.53
Diluted earnings per share	47	0.79	0.52

Consolidated statement of financial position

As at 30 June 2023

Assets	Note	Consolidated	
		2023 \$	2022 \$
Current assets			
Cash and cash equivalents	12	9,367,213	1,737,839
Trade and other receivables	13	12,917,218	10,574,168
Inventories	14	5,101,457	1,484,209
Other current assets	15	473,181	383,753
Contract assets	16	10,044,553	6,829,130
Total current assets		37,903,622	21,009,099
Non-current assets			
Deferred tax assets	17	3,190,252	3,772,199
Property, plant and equipment	18	1,802,698	1,275,339
Intangible assets	19	20,275,498	16,299,320
Other non-current assets	20	230,930	42,838
Right-of-use assets	21	3,263,622	2,733,253
Total non-current assets		28,763,000	24,122,949
Total assets		66,666,622	45,132,048
Liabilities			
Current liabilities			
Trade and other payables	22	16,541,612	11,542,540
Contract liabilities	23	3,870,002	755,988
Financial liabilities	24	638,601	600,000
Employee benefits	25	3,138,030	2,301,458
Lease liabilities	27	1,416,832	1,101,502
Total current liabilities		25,605,077	16,301,488
Non-current liabilities			
Financial liabilities	28	329,405	750,000
Provision for Earnout	29	900,775	-
Lease liabilities	32	2,021,327	1,799,875
Deferred tax liabilities	30	1,238,405	1,015,325
Employee benefits	31	176,077	131,192
Total non-current liabilities		4,665,989	3,696,392
Total liabilities		30,271,066	19,997,880
Net assets		36,395,556	25,134,168



Statement of Financial Position (continued)

		Consolidated	
Equity	Note	2023	2022
		\$	\$
Issued capital	33	37,064,481	28,746,918
Retained earnings	34	(1,875,716)	(4,488,785)
Reserves	35	1,206,791	876,035
Total equity		36,395,556	25,134,168

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2023

Consolidated	Share capital \$	Reserves \$	Accumulated Losses \$	Total equity \$
Balance at 1 July 2021	23,386,418	631,157	(6,042,449)	17,975,126
Profit after income tax expense for the year	-	-	1,553,664	1,553,664
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	1,553,664	1,553,664
Shares issued net of transaction costs (note 34)	4,510,500	-	-	4,510,500
Shares issued under acquisition	850,000	-	-	850,000
Share-based payments (note 48)	-	244,878	-	244,878
Balance at 30 June 2022	28,746,918	876,035	(4,488,785)	25,134,168

Consolidated	Share capital \$	Reserves \$	Accumulated Losses \$	Total equity \$
Balance at 1 July 2022	28,746,918	876,035	(4,488,785)	25,134,168
Profit after income tax expense for the year	-	-	2,613,069	2,613,069
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	2,613,069	2,613,069
Contributions of equity, net of transaction costs (note 33)	8,317,563	-	-	8,317,563
Share-based payments (note 48)	-	330,756	-	330,756
Balance at 30 June 2023	37,064,481	1,206,791	(1,875,716)	36,395,556

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 30 June 2023

		Consolidated	
	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers		88,447,624	55,859,599
Payments to suppliers and employees		(82,963,573)	(55,480,763)
		5,484,051	378,836
Interest received		4,363	23
Other revenue		30,369	-
Interest paid	10	(274,661)	(194,320)
Net cash provided by operating activities	46	5,244,122	184,539
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	43	(3,420,551)	(1,471,054)
Payment for acquisition of plant and equipment	18	(360,545)	(167,007)
Payments for intangibles	19	(291,982)	(315,297)
Increase/(decrease) in fixed term deposit		(8,590)	25,000
Net cash used in investing activities		(4,081,187)	(1,928,358)
Cash flows from financing activities			
Proceeds from issue of shares (net of capital raising costs)	33	8,317,563	4,510,500
Repayment of borrowings		(600,000)	(600,000)
Repayment of lease liabilities		(1,251,124)	(1,071,033)
Net cash from financing activities		6,466,439	2,839,467
Net increase in cash and cash equivalents		7,629,374	1,095,648
Cash and cash equivalents at the beginning of the financial year		1,737,839	642,191
Cash and cash equivalents at the end of the financial year	12	9,367,213	1,737,839

Notes to the consolidated financial statements

For the year ended 30 June 2023

Note 1. Corporate Information

This financial report of The Environmental Group Limited ("EGL") for the year ended 30 June 2023 was authorised for issue by the Directors in accordance with a resolution of the Directors on 23 August 2023.

The Environmental Group Limited's registered office is Level 1 Suite 1, 10 Ferntree Place, Notting Hill, Victoria, 3168.

The financial report includes financial statements for EGL and its controlled entities as a consolidated entity ("the Group"). EGL is a public listed company, limited by shares traded on the Australian Security Exchange, incorporated and domiciled in Australia.

For the purposes of preparing the financial statements the Company and Group are for profit entities.

The principal activities during the period ending 30 June 2023 of the entities within the Group were design, application and servicing of innovative gas, vapour and dust emission control systems, inlet and exhaust systems for gas turbines, engineering services, developing innovative water treatment solutions, service install provider for heat transfer plant and equipment primarily related to boilers and burners including 24/7 customer service for mechanical, electrical and automation support to a wide variety of industries and an agency agreement for the manufacturing of waste recycling plant and equipment.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Group has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Note 2. Significant accounting policies (continued)

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 41.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of The Environmental Group Limited ('Company' or 'parent entity') as at 30 June 2023 and the results of all subsidiaries for the year then ended. The Environmental Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Exchange differences are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Note 2. Significant accounting policies (continued)

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Products

Revenue on capital work contracts are recognised when performance obligations are satisfied. Where performance obligations are deemed to be satisfied over a period of time, the input method is used for recognising revenue based on costs incurred. Revenue recognised on ongoing capital work contracts in excess of amounts billed to customers is reflected as an asset ("contract assets"). Amounts billed to customers in excess of revenue recognised on uncompleted capital work contracts are reflected as a liability ("contract liabilities").

Revenue from sales other than capital work contracts is recognised when goods have been dispatched to a customer pursuant to a sales order and the associated risks of ownership have passed to the customer.

Services

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

The Environmental Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank, cash in hand and other short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within other financial liabilities in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due based on 30-90 day terms.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Expected credit losses are also assessed on individual debtors with overdue balances for any specific allowance required. Specific expected credit losses are recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor or, default payments are considered objective evidence of possible impairment.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets

Customer contract assets are recognised when the Group has transferred goods or services to the customer, or performance obligations are met but where the Group is yet to establish an unconditional right to consideration (that is, billing milestones are not achieved yet). Contract assets are treated as financial assets for impairment purposes.

Inventories

Raw materials and consumables

Raw materials and consumables are measured at the lower of cost and net realisable value. Costs are assigned on a first in, first out basis. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Note 2. Significant accounting policies (continued)

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. All other repairs and maintenance are recognised in the statement of comprehensive income as incurred.

Depreciation is calculated on either a straight-line or diminishing value basis over the estimated useful life of the specific asset. The expected useful lives as follows:

Leasehold improvements **3-10 years**

Plant and equipment **3-10 years**

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Goodwill and intangibles

Goodwill

Goodwill arises on the acquisition of a business and is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Intangibles other than goodwill

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Customer Relationship

Customer relationship asset acquired in a business combination are recognised at fair value at the acquisition date, and subsequently amortised on a straight-line basis over the period of their expected benefit.

Intellectual Property

Intellectual property acquired in a business combination is recognised at fair value at the acquisition date. They have an indefinite useful life and are subsequently tested for impairment.

Research and development costs

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources

and intent to complete the development; and its costs can be measured reliably. When a capitalised development project is complete, the costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 to 10 years.

Software

An intangible asset arising from software purchased or development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a post-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit. Further details on the methodology and assumptions used are outlined in Note 19.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable.

Trade and other payables

Trade and other payables are carried at cost and due to their short-term nature, they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Borrowing costs

Borrowing costs are recognised as an expense when incurred unless they are attributable to a qualifying asset.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle

Note 2. Significant accounting policies (continued)

the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Retirement benefit obligations

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether the equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value.

Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and assumptions laid to allocate an overall expected credit loss rate for each group. The allowance for expected credit losses, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of goodwill

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows as discussed in note 19.

Impairment of non-financial assets other than goodwill

The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Business combinations

As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Revenue from contracts with customers, contract assets, and contract liabilities

When recognising revenue in relation to capital projects (service revenue), the key performance obligation of the Group is considered to be the percentage of the completion for respective projects. Judgement is exercised in determining the percentage of completion of the contract and in reliably estimating the total contract revenue and contract costs to completion.

Contract assets are measured at revenue recognised for each project, net of any provision for anticipated future losses, and in excesses of the amounts billed to the customers based on the underlying contracts. Judgement is exercised in determining the provision for expected future losses, as well as the amount of revenue recognised as explained above, which in turn impacts the contract assets, as well.

Contract liabilities are measured at the amounts billed to the customers based on the underlying contracts, in excess of the revenues recognised for respective projects. Judgement is exercised in determining the amount of revenue recognised as explained above, which in-turn impacts the contract liabilities, as well.



Note 4. Operating segments

Identification of reportable operating segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Unless stated otherwise all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have notably different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis. Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- The products sold and / or services provided by the segment
- The fabrication process
- The type or class of customer for the products or services
- The distribution method
- Any external regulatory requirements

Types of products and services by segment

Products segment Pollution Control incorporates the operations related to the supply, design, construction and installation services to industry, this segment includes activities related to air pollution control, water purification systems.

Products segment Gas turbines incorporates the operations related to the supply, design, construction and installation services to industry, this segment includes activities related to design, engineering and manufacture of gas turbine equipment and solutions.

EGL Energy (previously Services) are a combination of Tomlinson and Ignite. The segment reflects the services and after sales support to industry, this segment includes services to construction, health sector, food processing, manufacturing and many other industrial markets.

EGL Waste (previously Waste). This segment reflects the agency agreement with Turmec and includes services related to the Waste Industry.

Operating segment information

Consolidated - 2023	EGL Clean Energy \$	EGL Energy \$	Products Gas Turbine \$	Other Segments \$	EGL Waste \$	Corporate \$	Total \$
Revenue							
Sales to external customers	20,245,375	36,866,040	19,937,120	-	5,290,972	20	82,339,527
Other revenue	107,398	-	204,825	-	20,495	-	332,718
Total revenue	20,352,773	36,866,040	20,141,945	-	5,311,467	20	82,672,245
EBITDA							
	3,124,416	3,730,738	1,480,187	-	839,864	(2,668,475)	6,506,730
Depreciation and amortisation	-	-	-	-	-	-	(1,713,171)
Interest revenue	-	-	-	-	-	-	4,362
Finance costs	-	-	-	-	-	-	(274,661)
Performance Shares	-	-	-	-	-	-	(330,756)
Acquisition costs	-	-	-	-	-	-	(316,815)
Profit before income tax expense	-	-	-	-	-	-	3,875,689
Income tax expense	-	-	-	-	-	-	(1,262,620)
Profit after income tax expense	-	-	-	-	-	-	2,613,069
Assets							
Segment assets	25,750,208	21,715,597	23,820,099	486,296	4,870,126	29,107,590	105,749,916
Intersegment eliminations	-	-	-	-	-	-	(42,273,546)
Unallocated assets:	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-	3,190,252
Total assets	-	-	-	-	-	-	66,666,622
Liabilities							
Segment liabilities	6,107,538	15,009,832	(934,657)	(961,694)	2,801,191	(35,263,095)	(13,240,885)
Intersegment eliminations	-	-	-	-	-	-	42,273,546
Unallocated liabilities:	-	-	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	-	1,238,405
Total liabilities	-	-	-	-	-	-	30,271,066

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 2022	EGL Clean Energy \$	EGL Energy \$	Products Gas Turbine \$	Other Segments \$	EGL Waste \$	Corporate \$	Total \$
Revenue							
Sales to external customers	7,806,764	29,189,585	19,031,527	176,048	494,581	-	56,698,505
Other revenue	77,985	-	268,556	-	20,245	-	366,786
Total revenue	7,884,749	29,189,585	19,300,083	176,048	514,826	-	57,065,291
EBITDA							
	1,274,985	3,147,557	1,292,802	37,940	494,661	(2,188,094)	4,059,851
Depreciation and amortisation	-	-	-	-	-	-	(1,383,124)
Interest revenue	-	-	-	-	-	-	23
Finance costs	-	-	-	-	-	-	(194,320)
Performance Shares							(244,878)
Acquisition costs							(91,688)
Profit before income tax expense	-	-	-	-	-	-	2,145,864
Income tax expense	-	-	-	-	-	-	(592,200)
Profit after income tax expense	-	-	-	-	-	-	1,553,664
Assets							
Segment assets	8,096,698	18,552,228	15,140,419	486,296	1,955,201	21,157,878	65,388,720
Intersegment eliminations							(24,028,871)
Unallocated assets:							
Deferred tax asset							3,772,199
Total assets							45,132,048
Liabilities							
Segment liabilities	6,540,920	11,848,374	5,562,816	10,895	2,285,599	16,762,822	43,011,426
Intersegment eliminations							(24,028,871)
Unallocated liabilities:							
Deferred tax liability							1,015,325
Total liabilities							19,997,880

EBITDA includes redundancies and foreign currency gains and losses of \$153,941 (FY22: \$328,633)

Major customers

The Group has a number of customers to whom it provides both products and services. The Group supplies to a single external customer in the Clean Energy segment, who accounts for 8.8% of external revenue (2022: 10.3%). The next most significant client accounts for 8.6% (2022: 4.6%) of external revenue in the Product Gas Turbine segment.

Geographical information

	Sales to external customers		Geographical non-current assets	
	2023 \$	2022 \$	2023 \$	2022 \$
Australia	69,536,798	38,405,636	25,796,067	20,377,911
Rest of the World	12,802,729	18,484,174	-	-
	82,339,527	56,889,810	25,796,067	20,377,911

The geographical non-current assets above are exclusive of, where applicable, financial instruments and deferred tax assets.



Note 5. Revenue from continuing operations

Revenue	Consolidated	
	2023 \$	2022 \$
From external customers	82,339,527	56,698,505
R&D Tax Offset	302,349	342,186
Export Market Development Grant	-	24,600
Other income	30,369	-
Total revenues	82,672,245	57,065,291

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Major product lines	Consolidated	
	2023 \$	2022 \$
Engineering and Fabrication Solutions	38,749,240	24,152,409
Service	39,279,872	30,184,028
Parts	4,310,415	2,728,854
	82,339,527	57,065,291

Geographical regions	Consolidated	
	2023 \$	2022 \$
Australia	69,536,798	38,581,117
Rest of the World	12,802,729	18,484,174
	82,339,527	57,065,291

Timing of revenue recognition	Consolidated	
	2023 \$	2022 \$
Goods transferred at a point in time	4,310,415	2,728,854
Services transferred over time	78,029,112	54,336,437
	82,339,527	57,065,291

Note 6. Cost of sales

	Consolidated	
	2023 \$	2022 \$
Cost of sales	63,800,383	42,739,333

Note 7. Employee expenses

	Consolidated	
	2023 \$	2022 \$
Wages and salaries	4,704,954	3,134,604
Superannuation expense	1,531,567	1,102,580
Share-based payments expense	330,756	244,878
Other employee benefits expense	1,156,144	1,924,763
Employee expenses total	7,723,421	6,406,825

Note 8. Depreciation and amortisation

	Consolidated	
	2023 \$	2022 \$
Depreciation of Property, Plant & Equipment	262,052	194,789
Amortisation of Intangibles	212,812	183,482
Depreciation of ROU Assets	1,238,307	1,004,853
Depreciation and amortisation total	1,713,171	1,383,124

Note 9. Foreign exchange (gains)/losses

	Consolidated	
	2023 \$	2022 \$
Foreign exchange losses	118,941	270,383

Note 10. Interest expense

	Consolidated	
	2023 \$	2022 \$
Finance cost on borrowings	110,231	54,309
Right of use (AASB 16) interest on leases	161,526	140,011
Interest on financial leases	2,904	
	274,661	194,320

Note 11. Income tax expense

	Consolidated	
	2023 \$	2022 \$
Income tax expense/(benefit)		
Current tax	457,593	291,245
Deferred tax - origination and reversal of temporary differences	805,027	209,681
Adjustment recognised for prior periods	-	91,274
Aggregate income tax expense	1,262,620	592,200

Deferred tax included in income tax expense comprises:

Decrease/(increase) in deferred tax assets (note 17)	581,947	(109,986)
Increase in deferred tax liabilities (note 30)	223,080	319,667
Deferred tax - origination and reversal of temporary differences	805,027	209,681

Numerical reconciliation of income tax expense and tax at the statutory rate

Profit before income tax expense	3,875,689	2,145,864
Tax at the statutory tax rate of 30%	1,162,707	643,759
Prior year temporary differences not recognised now recognised	-	91,274
Adjustment to deferred tax balances as a result of change in statutory tax rate	-	(456,393)
Permanent differences	99,913	313,560
Income tax expense	1,262,620	592,200

The Consolidated entity does not have any unused losses (FY2022: nil). However, available non-refundable R&D tax offset at the end of the financial year was \$662,916 (FY2022: \$1,889,102)

Note 12. Current assets - Cash and cash equivalents

	Consolidated	
	2023 \$	2022 \$
Cash at bank	8,525,880	1,556,682
Cash in transit	841,333	181,157
	9,367,213	1,737,839

Note 13. Current assets - Trade and other receivables

	Consolidated	
	2023 \$	2022 \$
Trade receivables	12,725,579	10,496,078
Less: Allowance for expected credit losses	(82,004)	(75,000)
	12,643,575	10,421,078
Other receivables	273,643	153,090
	12,917,218	10,574,168

Allowance for expected credit losses

Trade receivables are non-interest bearing and vary between 30 to 90 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Amounts are included in other expenses in the statement of profit and loss and other comprehensive income.

As part of the acquisition of Airtight Pty Ltd, the Group made an allowance of \$32,004 for Expected Credit Loss due to the age of the gross carrying value of certain

receivables taking into consideration whether there was reasonable expectation of recovery.

Expected Credit Loss allowances for trade receivables are deducted from the gross carrying amount of trade receivables.

As at 30 June 2023, the ageing of trade receivables is as follows:

	Consolidated	
	2023 \$	2022 \$
Current	10,188,570	8,656,236
30 Days	1,076,961	1,403,475
60 Days past due not impaired	454,063	156,243
90+ Days past due not impaired	955,985	205,124
90+ Days past due impaired	50,000	-
	12,725,579	10,421,078

Receivables past due but not considered impaired as at 30 June 2023 \$955,985 (2022: \$205,124). Payment terms on these amounts have not been re-negotiated however credit is being monitored until full payment is made. Each business unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

Note 13. Current assets - trade and other receivables (continued)

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2023 \$	2022 \$
Opening balance	75,000	-
Additions through business combinations	32,004	75,000
Additional provision in the current year	50,000	-
Receivables written off during the year as uncollectable	(32,706)	-
Unused amounts reversed	(42,294)	-
Closing balance	82,004	75,000

Fair value and credit risk

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Note 14. Current assets - Inventories

	Consolidated	
	2023 \$	2022 \$
Stock on hand - at cost	5,101,457	1,484,209

Inventory write-down

Write-down of inventories to net realisable value amounted to \$78,224 for the year ended 30 June 2023 (2022: \$7,817). As a result, there is no provision for impairment.

Note 15. Current assets - Other current assets

	Consolidated	
	2023 \$	2022 \$
Prepayments	473,181	383,753
	473,181	383,753

Note 16. Current assets - Contract assets

	Consolidated	
	2023 \$	2022 \$
Contract assets	10,044,553	6,829,130

Reconciliation

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

	Consolidated	
	2023 \$	2022 \$
Opening balance	6,829,130	2,479,831
Additions through business combinations (note 43)	-	210,895
Accrued income	3,215,423	4,138,404
Closing balance	10,044,553	6,829,130

Note 17. Non-current assets - Deferred tax assets

	Consolidated	
	2023 \$	2022 \$
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Leases	1,031,448	870,413
Fixed Assets	165,270	138,318
Accruals	29,400	89,739
Provisions	1,076,127	784,627
R&D Tax Offset	662,916	1,889,102
Other	225,091	0
Deferred tax asset	3,190,252	3,772,199
Movements:		
Opening balance	3,772,199	3,662,213
Credited/(charged) to profit or loss (note 11)	(581,947)	109,986
Closing balance	3,190,252	3,772,199

Note 18. Non-current assets - Property, plant and equipment

	Consolidated	
	2023 \$	2022 \$
Plant and equipment - at cost	2,693,459	2,313,264
Less: Accumulated depreciation	(1,581,727)	(1,382,960)
	1,111,732	930,304
Motor vehicles - at cost	423,882	453,192
Less: Accumulated depreciation	(161,276)	(108,157)
	262,606	345,035
Motor vehicles under lease	436,000	-
Less: Accumulated depreciation	(7,640)	-
	428,360	-
Closing balance	1,802,698	1,275,339

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land & Buildings \$	Leasehold Improvements \$	Plant and Equipment \$	Motor Vehicles \$	Total \$
Balance at 1 July 2021	-	-	884,688	-	884,688
Additions	-	-	167,007	-	167,007
Additions through business combinations (note 43)	-	-	61,633	358,266	419,899
Disposals	-	-	(1,466)	-	(1,466)
Depreciation expense	-	-	(181,557)	(13,232)	(194,789)
Balance at 30 June 2022	-	-	930,305	345,034	1,275,339
Additions	-	-	360,545	-	360,545
Additions through business combinations (note 43)	-	-	22,657	406,690	429,347
Disposals	-	-	(481)	-	(481)
Depreciation expense	-	-	(201,293)	(60,759)	(262,052)
Balance at 30 June 2023	-	-	1,111,733	690,965	1,802,698

Note 19. Non-current assets - Intangible assets

	Consolidated	
	2023 \$	2022 \$
Goodwill - at cost	18,967,225	15,070,216
Development - at cost	806,093	524,611
Less: Accumulated amortisation	(13,102)	-
	792,991	524,611
Intellectual property - at cost	350,000	350,000
Customer Relationships - at cost	240,000	240,000
Less: Accumulated amortisation	(88,000)	(40,000)
	152,000	200,000
Software - at cost	647,155	636,655
Less: Accumulated amortisation	(633,873)	(482,162)
	13,282	154,493
	20,275,498	16,299,320

Consolidated	Goodwill \$	Intellectual Property \$	Customer Relationship \$	Software \$	Product Development \$	Total \$
Balance at 1 July 2021	13,485,791	350,000	240,000	250,215	258,645	14,584,651
Additions	-	-	-	47,760	265,966	313,726
Additions through business combinations (note 43)	1,584,425	-	-	-	-	1,584,425
Amortisation expense	-	-	(40,000)	(143,482)	-	(183,482)
Balance at 30 June 2022	15,070,216	350,000	200,000	154,493	524,611	16,299,320
Additions	-	-	-	10,500	281,482	291,982
Additions through business combinations (note 43)	3,897,008	-	-	-	-	3,897,008
Amortisation expense	-	-	(48,000)	(151,711)	(13,101)	(212,812)
Balance at 30 June 2023	18,967,224	350,000	152,000	13,282	792,992	20,275,498

Note 19. Non-current assets - Intangible assets (continued)

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. When a capitalised development project is complete, the costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 to 10 years.

Customer relationships

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit.

	EGL Waste	EGL Pollution Control	EGL Gas Turbine	EGL Tomlinson	EGL Ignite	EGL Airtight	Total
Goodwill	192,969	5,328,297	4,007,647	3,956,878	1,584,425	3,897,008	18,967,224

EGL Clean Air Cash Generating Unit (TAPC)

The recoverable amount of the EGL Pollution Control (TAPC) Cash Generating Unit has been determined using a value in use calculation which is based on the following key assumptions:

- 16% post-tax discount rate; (2022: 16.5%)
- 5% (2022: 10%) per annum projected revenue and cost of sales growth rate;
- 5% (2022: 5%) per annum increase in overhead; and
- 2% (2022: 2%) projected indefinite nominal growth in the terminal value

Based on the above, there was no impairment of goodwill.

EGL Clean Air Cash Generating Unit (Airtight)

The recoverable amount of the EGL Pollution Control (Airtight) Cash Generating Unit has been determined using a value in use calculation which is based on the following key assumptions:

- 16% post-tax discount rate;
- 10% per annum projected revenue and cost of sales growth rate;
- 5% per annum increase in overhead; and
- 2% projected indefinite nominal growth in the terminal value

Based on the above, there was no impairment of goodwill.

Intellectual property

Intellectual property acquired in a business combination is recognised at fair value at the acquisition date. They have an indefinite useful life and are subsequently tested for impairment.

Impairment testing

Goodwill acquired through business combinations and licences have been allocated to the relevant cash generating units as summarised in the table below:

EGL Gas Turbine Cash Generating Unit

The recoverable amount of the EGL Gas Turbine Cash Generating Unit has been determined using a value in use calculation which is based on the following key assumptions:

- 16% post-tax discount rate; (2022: 16.5%)
- 5% (2022: 5%) per annum projected revenue and cost of sales growth rate;
- 5% (2022: 5%) per annum increase in overhead; and
- 2% (2022: 2%) projected indefinite nominal growth in the terminal value

Based on the above, there is no impairment of goodwill.

EGL Energy Cash Generating Unit (Tomlinson)

The recoverable amount of the EGL Energy (Tomlinson) Cash Generating Unit has been determined using a value in use calculation which is based on the following key assumptions:

- 16% post-tax discount rate; (2022: 16.5%)
- 5% (2022: 5%) per annum projected revenue and cost of sales growth rate;
- 5% (2022: 5%) per annum increase in overhead; and
- 2% (2022: 2%) projected indefinite nominal growth in the terminal value

Based on the above, there is no impairment of goodwill.

EGL Energy Cash Generating Unit (Ignite)

The recoverable amount of the EGL Energy (Ignite) Cash Generating Unit has been determined using a value in use calculation which is based on the following key assumptions:

- 16% post-tax discount rate;(2022:16.5%)
- 10% (2022:10%)per annum projected revenue and cost of sales growth rate;
- 5% (2022:5%)per annum increase in overhead; and
- 2% (2022:2%) projected indefinite nominal growth in the terminal value

Based on the above, there is no impairment of goodwill.

EGL Waste

The recoverable amount of the EGL Waste Cash Generating Unit has been determined using a value in use calculation which is based on the following key assumptions:

- 16% post-tax discount rate; (2022:16.5%)
- 10% (2022: 10%) per annum projected revenue and cost of sales growth rate;
- 5% (2022: 5%) per annum increase in overhead; and
- 2% (2022: 2%) projected indefinite nominal growth in the terminal value

Based on the above, there is no impairment of goodwill.

Key assumptions used in value in use calculations

The calculation of value in use for each of the Cash Generating units is most sensitive to assumptions made concerning projected revenues, cost of sales, and overheads, projected gross margins for the first year, discount rates, and growth rates used to extrapolate cash flows beyond the budget period.

Gross margins are based on the values achieved in recent years preceding the start of the budget period. Discount rates reflect management's estimate of the time value of money and the risks specific to each unit that are not already reflected in the cash flows. In determining the appropriate discount rates, regard has been given to the weighted average cost of capital of the entity as a whole and adjusted for business risk specific to each unit. Growth rate estimates reflect recent past experience.

The percentage of expected growth in revenue would need to be reduced in the following CGU's before goodwill would need to be impaired, with all other assumptions remaining constant. Gas Turbine 2%, Tomlinsons 3%,TAPC 4%, Ignite 8%, Waste 11%, and Airtight 3%.

The discount rate would be required to increase for all CGU's by more than 8% before goodwill would need to be impaired, with all other assumptions remaining constant.

Note 20. Non-current assets - Other non-current assets

	Consolidated	
	2023 \$	2022 \$
Security deposits	230,930	42,838

Note 21. Non-current assets - Right-of-use assets

	Consolidated	
	2023 \$	2022 \$
Land and buildings - right-of-use	3,538,423	2,450,715
Less: Accumulated depreciation	(1,743,556)	(982,846)
	1,794,867	1,467,869
Motor vehicles - right-of-use	2,868,974	2,192,935
Less: Accumulated depreciation	(1,400,219)	(927,551)
	1,468,755	1,265,384
	3,263,622	2,733,253

Note 21. Non-current assets - right-of-use assets (continued)

The Group leases land and buildings for its offices and warehouses under agreements of between one to seven years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The Group also leases motor vehicles with agreements of four years.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Property Leases \$	Vehicle Leases \$	Total \$
Balance at 1 July 2021	1,196,752	973,111	2,169,863
Additions	400,248	823,049	1,223,297
Additions through business combinations (note 43)	344,946	-	344,946
Depreciation expense	(474,077)	(530,776)	(1,004,853)
Balance at 30 June 2022	1,467,869	1,265,384	2,733,253
Additions	-	844,409	844,409
Additions through business combinations (note 43)	924,267	-	924,267
Depreciation expense	(597,269)	(641,038)	(1,238,307)
Balance at 30 June 2023	1,794,867	1,468,755	3,263,622

Note 22. Current liabilities - Trade and other payables

	Consolidated	
	2023 \$	2022 \$
Trade payables	11,414,844	8,549,336
Provision for Income Tax (Airtight pre-acquisition)	353,530	-
Other payables	4,773,238	2,993,204
	16,541,612	11,542,540

Refer to note 37 for further information on financial risk management.

Note 23. Current liabilities - Contract liabilities

	Consolidated	
	2023 \$	2022 \$
Contract liabilities	3,870,002	755,988

Reconciliation

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

Opening balance	755,988	1,677,346
Payments received in advance	29,544,231	26,392,185
Additions through business combinations (note 43)	1,002,109	95,965
Transfer to revenue - included in the opening balance	(27,432,326)	(27,409,508)
Closing balance	3,870,002	755,988

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$40,349,096 as at 30 June 2023 (\$51,996,533 as at 30 June 2022) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2023 \$	2022 \$
Within 6 months	11,458,820	12,886,716
6 to 12 months	21,262,978	12,844,970
12 to 18 months	108,527	11,028,796
18 to 24 months	7,518,771	5,398,207
After 24 months	-	9,837,844
	40,349,096	51,996,533

Accounting policy for contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Note 24. Current liabilities - Financial liabilities

	Consolidated	
	2023 \$	2022 \$
Bank Bill Business Loan	600,000	600,000
Finance Leases	38,601	-
	638,601	600,000

Refer to note 26 for further details.

The Group's Bank Bill Business Loan of \$750,000 will expire on 30 September 2024. Current portion of the loan represents quarterly repayments of \$150,000 within the next 12 months.

The Groups financial lease liability is \$224,144 of which the current portion represents principal repayments of \$38,601 within the next 12 months.

Note 25. Current liabilities - Employee benefits

	Consolidated	
	2023 \$	2022 \$
Annual leave	2,187,469	1,550,905
Long service leave	950,561	750,553
	3,138,030	2,301,458

Note 26. Current liabilities - Borrowings

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2023 \$	2022 \$
Total facilities		
Bank overdraft	5,000,000	2,000,000
Bank Bill Business loans*	750,000	1,350,000
Trade Guarantee and Standby Letters of Credit Facility	8,800,000	8,000,000
	14,550,000	11,350,000
Used at the reporting date		
Bank overdraft	-	-
Bank Bill Business loans*	750,000	1,350,000
Trade Guarantee and Standby Letters of Credit Facility	7,694,470	6,441,888
	8,444,470	7,791,888
Unused at the reporting date		
Bank overdraft	5,000,000	2,000,000
Bank Bill Business loans*	-	-
Trade Guarantee and Standby Letters of Credit Facility	1,105,530	1,558,112
	6,105,530	3,558,112

*The Groups Bank Bill Business Loan facility reduces by the amount of the quarterly repayments of \$150,000 included in the business financing arrangement.

The Group negotiated with Westpac Banking Corporation a temporary increase of \$3,000,000 of its working capital overdraft facility to \$5,000,000.

On the 4 July 2023 this was converted to a permanent facility.

The Group's Bank Bill Business Loan of \$750,000 will expire on 30 September 2024.

Trade Guarantee and Standby Letter of Credit facility is used by the Group to issue performance bonds and bank guarantees which are disclosed as a contingent liability. As at 30 June 2023 the Group had \$1,105,530 in outstanding Trade Guarantees and Standby Letter of Credits.

During the year the group negotiated a temporary increase to its Trade Guarantee and Standby Letter of Credit facility of \$800,000 to \$8,800,000. On the 4th July the group negotiated and permanent increased facility of \$12,000,000.

No covenants were breached in the reporting period of 30 June 2023.

Note 27. Current liabilities - Lease liabilities

	Consolidated	
	2023 \$	2022 \$
Lease liability	1,416,832	1,101,502

Refer to note 37 for further information on financial risk management.

Note 28. Non-current liabilities - Financial liabilities

	Consolidated	
	2023 \$	2022 \$
Bank Bill Business Loan	150,000	750,000
Finance Leases	179,405	-
	329,405	750,000

Note 29. Non-current liabilities - Provision for Earnout

	Consolidated	
	2023 \$	2022 \$
Provision for Earnout	900,775	-

Refer to note 37 for further information on financial risk management.

Note 30. Non-current liabilities - Deferred tax liabilities

	Consolidated	
	2023 \$	2022 \$
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Right of Use assets	979,086	819,976
Other	259,319	195,349
Deferred tax liability	1,238,405	1,015,325
Movements:		
Opening balance	1,015,325	695,658
Charged to profit or loss (note 11)	223,080	319,667
Closing balance	1,238,405	1,015,325

Note 31. Non-current liabilities - employee benefits

	Consolidated	
	2023 \$	2022 \$
Long service leave	176,077	131,192

Note 32. Non-current liabilities - lease liabilities

	Consolidated	
	2023 \$	2022 \$
Lease liability	2,021,327	1,799,875

Refer to note 37 for further information on financial risk management.

Note 33. Equity - issued capital

	Consolidated			
	2023 Shares	2022 Shares	2023 \$	2022 \$
Ordinary shares - fully paid	366,338,953	312,202,805	37,064,481	28,746,918

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2021	276,975,129		23,386,418
Performance Rights	3 September 2021	4,505,870	\$0.00	-
Placement	20 December 2021	27,142,857	\$0.17	4,749,999
Capital raising cost		-	\$0.00	(239,499)
Ignite Pty Acquisition	13 April 2022	3,578,949	\$0.23	850,000
Balance	30 June 2022	312,202,805		28,746,918
Performance Rights	7 September 2022	10,466,148	\$0.00	-
Placement	26 April 2023	40,000,000	\$0.20	8,000,000
Capital raising cost	26 April 2023	-	\$0.00	(400,000)
Purchase plan	23 May 2023	3,670,000	\$0.20	734,000
Capital raising cost	23 May 2023	-	\$0.00	(16,437)
Balance	30 June 2023	366,338,953		37,064,481

Performance rights of 10,466,148 includes the conversion of 10 million rights related to the contingent consideration for the acquisition of Active Environmental Solutions Pty Ltd in FY21.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2022 Annual Report.

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.



Note 34. Equity - retained earnings

	Consolidated	
	2023 \$	2022 \$
Accumulated losses at the beginning of the financial year	(4,488,785)	(6,042,449)
Profit after income tax expense for the year	2,613,069	1,553,664
Accumulated losses at the end of the financial year	(1,875,716)	(4,488,785)

Note 35. Equity - reserves

	Consolidated	
	2023 \$	2022 \$
General reserve	151,721	151,721
Share-based payments reserve	1,055,070	724,314
	1,206,791	876,035

The share based reserve relating to the performance shares of Key Management Personnel and General Managers

Performance Year	KMP	Probability	Number of Shares expected to be vested	Share Price
FY23	Jason Dixon	100%	4,333,333	0.035
FY23	Paul Gaskett	100%	2,166,667	0.035
FY23	Brenda Borghouts	100%	75,471	0.27
FY23	General Managers	100%	272,451	0.27
FY23	Andrew Bush	100%	250,000	0.20
Total			7,097,922	
FY24	Jason Dixon	100%	4,333,333	0.035
FY24	Paul Gaskett	100%	2,166,667	0.035
FY24	Brenda Borghouts	100%	75,471	0.27
FY24	General Managers	100%	272,451	0.27
Total		100%	6,847,922	

Note 36. Equity - dividends

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Franking credits

	Consolidated	
	2023 \$	2022 \$
Franking credits available at the reporting date based on a tax rate of 30% (2022:30%)	1,610,116	1,610,116
Franking credits available for subsequent financial years based on a tax rate of 30%	1,610,116	1,610,116

Note 37. Financial risk management

Financial risk management objectives

The Group's principal financial instruments comprise receivables, payables, cash and short term deposits, bank loans, and leases.

The Group manages its exposure to key financial risks, including interest rate and currency risk with the objective of supporting the delivery of the Group's financial targets whilst protecting future financial security.

The main financial risks that arise in the normal course of business for the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. Liquidity risk is monitored through the development of future rolling cash flow forecasts. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk.

The Board has continued the policy that no speculative trading in financial instruments be undertaken.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of financial instruments are disclosed in note 2 to the financial statements.

Financial instruments

Set out below by category are the carrying amounts of all of the Group's financial instruments recognised in the financial statements. The carrying amounts approximate their fair value.

	Consolidated	
	2023 \$	2022 \$
Financial assets		
Cash and cash equivalents	8,525,880	1,556,682
Trade and other receivables	12,917,218	10,574,168
Cash in transit	841,333	181,157
	22,284,431	12,312,007
Financial liabilities		
Trade and other payables	16,541,612	11,542,540
Provision for Earnout	900,775	-
Finance Leases	218,006	-
Bank Loan	750,000	1,350,000
	18,410,393	12,892,540

Note 37. Financial risk management (continued)

Foreign currency risk

The Group has transactional currency exposure arising from those sales and purchases which are denominated in United States dollars and Euros. From time to time the Group hold cash denominated in United States dollars and Euros. Currently the Group has no foreign exchange hedge programmes in place. Transaction exposures, where possible, are netted off across the Group to reduce volatility and provide a natural hedge.

The financial assets denominated in United States dollars and Euros at reporting date are as follows:

	2023 USD A\$	2023 EURO A\$	2022 USD A\$	2022 EURO A\$
Cash at bank and on hand	2,961,347	664,819	2,733	685,507
Trade and other receivables	2,662,109	1,964,419	2,256,030	235,109
Trade and other payables	2,991,499	979,709	3,477,445	1,074,727

At current exchange rates sourced from the Reserve Bank of Australia and based on foreign denominated payables and receivables at reporting date, if the Australian dollar was 5% higher, the impact on before tax profit, with all other variables held constant, would be a decrease of \$203,880 (2022: decrease of \$65,371), directly impacting the equity in the Group. If the Australian dollar was 10% lower, the impact on before tax profit, with all other variables held constant, would be an increase of \$475,721 (2022: increase of \$147,302), directly impacting the equity in the Group.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that are used. Interest bearing assets are predominantly short term liquid assets, such as bank deposits and interest bearing current accounts.

The Group's bank loans outstanding, totalling \$750,000 (2022: \$1,350,000), with an average interest rate of 5.135% (2022: 2.2438%), are principal and interest payment loans. Monthly cash outlays of approximately \$3,209 (2022: \$2,612) per month are required to service the interest payments.

Credit risk

Credit risk arises from the financial assets of the Group which comprise cash and cash equivalents, trade and other receivables, term deposit and bank bills. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed in each applicable note.

The Group trade only with creditworthy third parties. The credit risk for cash and cash equivalents is considered negligible, since the counter parties are reputable banks with high quality external credit ratings. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.



Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet all financial commitments in a timely and cost-effective manner. The Group constantly reviews the liquid position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	2023	2022
	\$	\$
6 months or less	13,093,651	9,770,412
6 - 12 months	1,037,378	1,182,440
1 - 5 years	3,414,092	2,876,949
	17,545,121	13,829,801

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2023	2022
	\$	\$
Bank overdraft	5,000,000	2,000,000
Trade Guarantee and Standby Letters of Credit Facility	1,105,530	1,558,112
	6,105,530	3,558,112

Note 37. Financial risk management (continued)

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position. The Group currently has an increased temporary overdraft facility of \$5,000,000 which was converted into a permanent facility on 4 July 2023, it also has an unused Trade Guarantee and Standby Letters of credit facility of \$1,105,530. This facility was also increased on 4 July 2023 from \$8,800,000 to \$12,000,000.

Consolidated - 2023	Weighted Average Interest Rate %	Floating Interest Rate \$	Non-Interest Bearing \$	Remaining Contractual Maturities \$
Non-derivatives				
Interest bearing				
Bank Bill Business Loan	5.14%	750,000	-	750,000
Lease liability	5.65%	3,438,159	-	3,438,159
Financial lease	7.85%	218,006	-	218,006
Total non-derivatives		4,406,165	-	4,406,165
Consolidated - 2022				
Non-derivatives				
Non-interest bearing				
Trade and other payables	-	-	11,542,540	11,542,540
Interest-bearing				
Lease liability	4.85%	2,901,377	-	2,901,377
Financial liabilities	2.24%	1,350,000	-	1,350,000
Total non-derivatives		4,251,377	11,542,540	15,793,917

Note 38 . Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2023	2022
	\$	\$
Short-term employee benefits	1,229,092	1,107,549
Post-employment benefits	118,962	101,155
Performance Rights	236,760	188,935
	1,584,814	1,397,639

Options

No options were granted in the year ended 30 June 2023 (nil-2022).

Shareholdings of key management personnel

Ordinary shares held in The Environmental Group Limited by key management personnel are shown in below tables:

2023	Balance at start of year	Received during year on exercise of options	Other changes during the year	Balance at end of year
Directors and key management personnel				
Ms Lynn Richardson	3,750,001	-	75,000	3,825,001
Mr Adrian Siah	7,389,724	-	-	7,389,724
Mr Graeme Nayler	268,000	-	-	268,000
Mr Andrew Bush	1,171,247	-	210,785	1,382,032
Mr Jason Dixon	13,670,580	-	6,666,667	20,337,247
Mr Paul Gaskett	6,835,290	-	3,333,333	10,168,623
Ms Brenda Borghouts	79,840	-	52,384	132,224

2022	Balance at start of year	Received during year on exercise of options	Other changes during the year	Balance at end of year
Directors and key management personnel				
Ms Lynn Richardson	3,750,001	-	-	3,750,001
Mr Adrian Siah	9,240,000	-	(1,850,276)	7,389,724
Mr Graeme Nayler	-	-	268,000	268,000
Mr Andrew Bush	1,074,366	-	96,881	1,171,247
Mr Jason Dixon	10,666,666	-	3,003,914	13,670,580
Mr Paul Gaskett	5,333,334	-	1,501,956	6,835,290
Ms Brenda Borghouts (appointed 28 February 2022)	-	-	79,840	79,840

Details relating to key management personnel are included in the Remuneration Report.

Note 39. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the Company:

	Consolidated	
	2023 \$	2022 \$
Other services - RSM Australia Partners		
Review of Airtight Stock take procedures	6,059	-
Audit or review of the financial statements	141,000	106,500

Note 40. Contingent liabilities

The Groups bank has given guarantees to unrelated parties in respect of performance bonds and guarantees. No liability is expected to arise from these guarantees and accordingly no provision has been recognised in these

financial statements. The total performance bonds and guarantees for the Group at 30 June 2023 are \$7,694,470 (2022: \$6,441,888).

Note 41. Related party transactions

Parent entity

The Environmental Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 44.

Key management personnel

Disclosures relating to key management personnel are set out in note 38 and the remuneration report included in the Directors' report.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

There were no trade loans from or to related parties at the current and previous reporting date.

Note 42. Parent entity information

Set out below is the supplementary information about the parent entity.

	Consolidated	
	2023	2022
	\$	\$
Statement of profit or loss		
Financial performance		
Profit after income tax	(2,561,870)	(1,879,113)
Statement of financial position		
Assets		
Current assets	16,053,945	9,784,514
Non-current assets	5,958,554	5,295,385
Total assets	22,012,499	15,079,899
Liabilities		
Current liabilities	2,841,185	1,803,392
Non-current liabilities	1,163,218	1,284,859
Total liabilities	4,004,403	3,088,251
Net assets	18,008,097	11,991,648
Equity		
Equity attributable to the ordinary equity holders of the Company		
Contributed equity	37,014,478	28,696,915
Accumulated losses	(20,061,451)	(17,499,581)
Reserves	1,055,070	794,314
Total equity	18,008,097	11,991,648

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent company provided no guarantees or securities during the year (2022: \$1,269,137 USD).

Contingent liabilities

The parent company provided no guarantees or securities during the year (2022: \$1,269,137 USD).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2.

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity
- Investments in associates are accounted for at cost, less any impairment, in the parent entity
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment

Note 43. Business combinations

On the 5th May 2023 EGL acquired 100% of the ordinary shares of Airtight Pty Ltd for the total consideration transferred of \$4,855,162. Airtight is a leading supplier of air pollution control systems and filtration solutions across a variety of industries. Airtight provides small to large scale air pollution control projects in most industries including construction inputs, minerals, foundry, dairy, mining, and timber processing industry. Approximately 85% of Airtight sales are in light industrials sector. AT is headquartered in NSW with its major operations in three locations: Wetherill Park in NSW, Bayswater in VIC, and Tingalpa in QLD.

The goodwill of \$3,897,008 reflects strong recurring revenue and expected future growth from the areas mentioned in the previous paragraph.

The acquisition will be a major expansion of EGL's presence in the air pollution control market, providing a significant growth to the current TAPC business unit. Airtight's focus is on the lighter industrials market compared to TAPC in the heavy industrials / refining sector. The business aligns with EGL's strategy, while providing a broader client base focusing on smaller

scale projects (typically \$100k-\$250k). Larger customer segments include joinery, food & beverage, schools, Tafe's, and universities.

Integrating the acquired business will provide opportunities to recognise synergies through EGL Waste with the dust extraction and collection systems suitable for waste processing facilities. Currently TAPC does not bid on this work, as it is not their key strength, and much of it is outsourced. Airtight can be bolted on to EGL's existing infrastructure and platform.

The acquired business contributed revenues of \$3,391,888 and an EBITDA of \$148,523 to the consolidated entity for the period from 5 May 2023 to 30 June 2023. It is impracticable to disclose the revenue and profit or loss of the combined entity as if the acquisition had occurred at the beginning of the annual reporting period, as the acquired entity did not comply with Australian Accounting Standards prior to its acquisition by Environmental Group Limited.

The Group has adopted provisional accounting for the above acquisition which will be finalised before the measurement period on the 4th of May 2024



	Fair Value \$
Cash and cash equivalents	33,836
Trade receivables	1,442,843
Other receivables	182,502
Inventories	3,704,373
ROU Assets	924,267
Plant and equipment	22,657
Motor vehicles	406,690
Deferred Tax Asset	149,055
Trade payables	(2,290,138)
Other Payables	(660,843)
Contract liabilities	(1,002,110)
Provision for income tax	(353,530)
Employee benefits	(439,945)
ROU liability	(937,360)
Lease liability	(224,144)
Net assets acquired	958,153
Goodwill	3,897,008
Acquisition-date fair value of the total consideration transferred	4,855,162
Representing:	
Cash paid to vendor	3,454,387
Holdback	500,000
Earnout	900,775
	4,855,162
Acquisition costs expensed to profit or loss	316,815

Note 43. Business combinations (continued)

FY 22 Acquisitions

On 16 April 2022 EGL acquired 100% of the ordinary shares of Ignite Pty Limited for the total consideration transferred of \$2,709,573. This is a burner and gas service business that operates in the EGL Energy Division of the consolidated entity. It was acquired to compliment Tomlinson Energy Service business with an expanded offering. Ignite Services is focused on becoming an instrumental contributor in the green energy revolution working toward zero emissions targets. Ignite is a future focused company that recognises the necessity to replace finite natural resources for sustainable gas practices, providing benefit for both industry and the environment. Ignite Services carries out combustion efficiency analysis, polyethylene fusion welding and burner repair and modification.

The goodwill of \$1,584,425 represents reflects strong recurring revenue and expected future growth from the areas mentioned in the previous paragraph.

The acquired business contributed revenues of \$1,024,467 and an EBITDA of \$239,484 to the consolidated entity for the period from 1 April 2022 to 30 June 2022. If the acquisition occurred on 1 July 2021 estimated full year contributions would have been revenues of \$4,000,000 and EBITDA of \$700,000. The values identified in relation to the acquisition of Ignite Pty Ltd are final as at 30 June 2022.

	Fair Value \$
Cash and cash equivalents	188,521
Trade receivables	1,116,058
Contract assets	210,895
Plant and equipment	61,633
Motor vehicles	358,266
Right-of-use assets	344,946
Trade payables	(223,001)
Other Payables	(45,515)
Contract Liabilities	(95,965)
Provision for income tax	(72,862)
Employee benefits	(136,210)
GST	(159,474)
Lease liability	(77,197)
ROU Lease Liability	(344,946)
Net assets acquired	1,125,149
Goodwill	1,584,425
Acquisition-date fair value of the total consideration transferred	2,709,574
Representing:	
Cash paid or payable to vendor	1,659,574
The Environmental Group Limited shares issued to vendor	850,000
Deferred payment to be paid after 12 months service	200,000
	2,709,574
Acquisition costs expensed to profit or loss	91,688

Note 44. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2023 %	2022 %
The Environmental Group Share Plans Pty Limited	Australia	100.00%	100.00%
Environmental Group (Operations) Pty Limited (formerly Environmental Systems Pty Limited)	Australia	100.00%	100.00%
Total Air Pollution Control Pty Limited	Australia	100.00%	100.00%
Mine Assist Mechanical Pty Limited (formerly Moranbah Mechanical Services Pty Limited)	Australia	100.00%	100.00%
Bridge Management Services Pty Limited (formerly Bowen Basin Pipe Services Pty Limited)	Australia	100.00%	100.00%
Baltec IES Pty Limited	Australia	100.00%	100.00%
EGL Waste Pty Limited	Australia	100.00%	100.00%
EGL Water Pty Limited	Australia	100.00%	100.00%
Baltec Australia trading as Total Air Pollution Control Pty Limited	Australia	100.00%	100.00%
Tomlinson Energy Service Pty Limited	Australia	100.00%	100.00%
Active Environmental Services Pty Limited	Australia	100.00%	100.00%
Ignite Services Pty Limited	Australia	100.00%	100.00%
Airtight Pty Limited	Australia	100.00%	-

Note 45. Events after the reporting period

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years..

Note 46. Reconciliation of profit after income tax to net cash provided by operating activities

	Consolidated	
	2023 \$	2022 \$
Profit after income tax expense for the year	2,613,069	1,553,664
Adjustments for:		
Depreciation and amortisation	1,713,171	1,383,124
Share-based payments expense	330,756	244,878
Foreign exchange differences	118,941	270,383
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,016,148)	(1,259,043)
Increase in contract assets	(1,743,930)	(4,349,299)
Decrease/(increase) in inventories	87,125	(85,672)
Decrease/(increase) in deferred tax assets	731,002	(109,986)
Increase in prepayments	(89,428)	(300,089)
(Decrease)/increase in trade and other payables	1,834,969	2,233,425
Increase in deferred tax liabilities	223,080	319,667
Increase in other provisions	441,515	283,487
Net cash provided by operating activities	5,244,122	184,539

Note 47. Earnings per share

	Consolidated	
	2023 \$	2022 \$
Profit after income tax attributable to the owners of The Environmental Group Limited	2,613,069	1,553,664
	Cents	Cents
Basic earnings per share	0.80	0.53
Diluted earnings per share	0.79	0.52
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	328,274,739	295,809,659
Adjustments for calculation of diluted earnings per share:		
Outstanding Performance Rights	1,949,858	790,055
Weighted average number of ordinary shares used in calculating diluted earnings per share	330,224,597	296,599,714

Note 48. Share-based payments

A performance rights plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant performance rights over ordinary shares in the Company to certain key management personnel of the Group.

The rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

Set out below are summaries of performance rights granted under the plan:

2023	Performance year-end	Fair Value	Balance at start of year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Grant date							
08/02/2021	30/06/2023	\$0.03	4,333,333	-	-	-	4,333,333
08/02/2021	30/06/2023	\$0.03	2,166,667	-	-	-	2,166,667
08/02/2021	30/06/2024	\$0.03	4,333,333	-	-	-	4,333,333
08/02/2021	30/06/2024	\$0.03	2,166,667	-	-	-	2,166,667
23/09/2021	30/06/2022	\$0.14	357,142	-	(313,462)	(43,680)	-
11/03/2022	30/06/2022	\$0.27	173,962	-	(152,686)	(21,276)	-
11/03/2022	30/06/2023	\$0.27	347,922	-	-	-	347,922
11/03/2022	30/06/2024	\$0.27	347,922	-	-	-	347,922
29/09/2022	30/06/2023	\$0.19	-	250,000	-	-	250,000
			14,226,948	250,000	(466,148)	(64,956)	13,945,844

2022	Performance year-end	Fair Value	Balance at start of year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Grant date							
08/02/2021	30/06/2023	\$0.03	4,333,333	-	-	-	4,333,333
08/02/2021	30/06/2023	\$0.03	2,166,667	-	-	-	2,166,667
08/02/2021	30/06/2024	\$0.03	4,333,333	-	-	-	4,333,333
08/02/2021	30/06/2024	\$0.03	2,166,667	-	-	-	2,166,667
23/09/2021	30/06/2022	\$0.14	-	357,142	-	-	357,142
11/03/2022	30/06/2022	\$0.27	-	173,962	-	-	173,962
11/03/2022	30/06/2023	\$0.27	-	347,922	-	-	347,922
11/03/2022	30/06/2024	\$0.27	-	347,922	-	-	347,922
			13,000,000	1,226,948	-	-	14,226,948

In each of FY2022, FY23 and FY2024, the company's actual EBITDA will be measured against Target EBITDA for that year, and the maximum share allocation will be made if the Company achieves or exceeds 100% of that target. If less than 100% is achieved, then the share

allocation will be reduced by a like proportion, down to a minimum of 70%. If the Company's actual EBITDA is less than 70% of the target EBITDA, then no shares will be issued.

Directors' Declaration

As at 30 June 2023

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors,



Ms Lynn Richardson

Chair

23 August 2023

RSM Australia Partners

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INDEPENDENT AUDITOR'S REPORT To the Members of The Environmental Group Limited

Opinion

We have audited the financial report of The Environmental Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters (Continued.)

Key Audit Matter	How our audit addressed this matter
Impairment of Goodwill Refer to Note 19 in the financial statements	
<p>At 30 June 2023, The Group had goodwill with a carrying value of \$18,967,225, which represents approximately 28% of the Group's total assets.</p> <p>As required under AASB 136, management have tested goodwill for impairment. As goodwill does not generate cashflows that are largely independent from other assets, its recoverable amount was determined by calculating the recoverable amount of the cash generating unit ("CGU") to which it belongs. This recoverable amount was then compared to the CGU's carrying amount. In this instance, the recoverable amount was determined to be its value in use.</p> <p>We determined the impairment review of goodwill to be a Key Audit Matter because of the materiality of the Goodwill balance, and because of the significant management judgments and assumptions used to determine the value in use of the CGU which contains it. Namely, the calculation of the recoverable amount of the CGU involves judgements about the future underlying cashflows of the CGU, estimated growth rates for the CGU for the next 5 years as well as in perpetuity, and judgments of an appropriate discount rate to apply to the estimated cashflows.</p>	<p>With the assistance of our Corporate Finance team, our audit procedures included:</p> <ul style="list-style-type: none"> • Assessing the reasonableness of management's determination that the goodwill should be allocated to six CGUs based on the nature of the Group's business; • Assessing the valuation methodology used to determine the recoverable amount; • Challenging the reasonableness of key assumptions, including the following: <ul style="list-style-type: none"> ○ Cash flow projections; ○ Future growth rates; ○ Discount rates; ○ Terminal value; • Performing sensitivity analysis over the key assumptions used in the models; • Checking the mathematical accuracy of the cashflow model and reconciling input data to supporting evidence, such as approved budgets, and considering the reasonableness of the evidence (such as budgets); and • Assessing the appropriateness and accuracy of the disclosures included in the financial report.
Revenue recognition Refer to Note 5 in the financial statements	
<p>Revenue for the year ended 30 June 2023 was \$82,672,245. The primary revenue streams are:</p> <ul style="list-style-type: none"> • Engineering and Fabrication Solutions • Provision of services • Sales of parts <p>Revenue is considered to be a Key Audit Matter because of:</p> <ul style="list-style-type: none"> • the identification of performance obligations, • the method of recognition of revenue (over time or at a point in time); and • revenue is generated from varying income sources, with different recognition patterns requiring significant management estimates. 	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Assessing whether the Group's revenue recognition policies are in compliance with AASB 15 <i>Revenue from Contracts with Customers</i>; • Evaluating the operating effectiveness of management's controls related to revenue recognition; • For a sample of revenue transactions, substantiating transactions by agreeing to supporting documentation, including customer contracts and ensuring they are accounted for in line with the revenue recognition policy; • Assessing revenue transactions before and after year-end to ensure that revenue is recognised in the correct period; and • Performing substantive analytical review procedures on the different revenue streams.

Key Audit Matters (Continued.)

Key Audit Matter	How our audit addressed this matter
Accounting for Business Combination Refer to Note 43 in the financial statements	
<p>On the 5th May 2023 EGL acquired 100% of the ordinary shares of Airtight Pty Ltd for the total consideration transferred of \$4,855,162. The total consideration is comprised of cash paid \$3,454,387, holdback amount of \$500,000, and earnout consideration of \$900,775 which will be finalised based on the actual results of financial year 2024.</p> <p>This is considered a Key Audit Matter as accounting for such a transaction is complex and involves significant judgement in applying the accounting standards. This includes valuation of consideration paid and payable, including contingent consideration, as well as the measurement and recognition of intangible assets. Apart from the accounting treatment of the consideration and assets recognised, there is also a risk that sufficient and accurate disclosures are not made in accordance with the accounting standards.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> Assessing the purchase agreements and other associated documents and ensuring that the transactions had been accounted for in accordance with the accounting standards; Assessing the initial consideration to the signed purchase agreement; Reviewing management's estimates in relation to the purchase price allocation, including measurement and recognition of intangible assets, and the resulting goodwill; and Reviewing the disclosures made in the financial statements is in accordance with the accounting standards. <p>As the result of the above procedures performed, while we did not identify any material misstatements, we understood that management has opted to use the measurement period arrangement allowed under the accounting standards to finalise the acquisition accounting within 12 months from the acquisition date. This fact is appropriately disclosed in the group's annual report.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Responsibilities of the Directors for the Financial Report (Continued)

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of The Environmental Group Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in blue ink, appearing to read 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read 'M Parameswaran'.

M PARAMESWARAN
Partner

Dated: 23 August 2023
Melbourne, Victoria



Shareholder Information

As at 30 June 2023

The shareholder information set out below was **applicable as at 11 August 2023**.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares % of total		Performance rights over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	1,263	0.09	-	-
1,001 to 5,000	556	0.43	-	-
5,001 to 10,000	269	0.58	-	-
10,001 to 100,000	693	7.30	-	-
100,001 and over	282	91.60	8	100%
	3,063	100.00	8	100%
Holding less than a marketable parcel	1,485	0.04	-	-

Equity security holders

20 largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities as at 11 August 2023 are listed below:

	Ordinary shares	
	Number held	% of total shares issued
J P Morgan Nominees Australia	26,281,081	7.17
Mrs Denise Morgan Richardson	24,050,000	6.56
Mr Ellis Richardson	24,050,000	6.56
Mirrabooka Investments Limited	22,208,191	6.06
Jalie 2 Pty Ltd	20,337,247	5.55
HSBC Custody Nominees	15,630,167	4.27
Citicorp Nominees Pty Limited	14,330,209	3.91
BNP Paribas Noms Pty Ltd	11,609,266	3.17
Mr Paul Walter Gaskett	10,168,623	2.78
Baltec Inlet & Exhaust Systems	9,916,832	2.71
Ace Property Holdings Pty Ltd	9,000,000	2.46
Carrier International Pty	8,831,419	2.41
Cea SMSF Pty Ltd	6,389,724	1.74
Cannington Corporation Pty Ltd	6,064,283	1.66
Doldory Pty Ltd	5,022,182	1.37
Buildassist NSW Pty Ltd	4,149,354	1.13
Mr Alexander James Hill	4,000,000	1.09
Richmarsh Investments Pty	3,825,001	1.04
Certane Ct Pty Ltd	3,420,556	0.93
Tapc (Holdings) Pty Ltd	2,339,506	0.64
	231,623,641	63.21

Options over ordinary shares

There are no options over ordinary shares.

Substantial shareholding notices lodged with the ASX as of the 11 August 2023 in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Mrs Denise Morgan Richardson	58,016,832	16.00%
Mr Ellis Richardson	58,016,832	16.00%
Capital H Management Pty Ltd	32,166,428	10.40%
Mirrabooka Investments Limited	22,208,191	6.12%
Jalie 2 Pty Ltd	20,337,247	6.30%

Voting rights

The voting rights attached to ordinary shares are set out below options do not carry a right to vote.

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Corporate Directory

Directors

Ms Lynn Richardson

Chair (Non-Executive)

Mr Adrian Siah

(Non-Executive) Appointed 17 September 2020

Mr Vincent D'Rozario

(Non-Executive) Appointed 25 March 2021

Mr Graeme Nayler

(Non-Executive) Appointed 25 March 2021

Company Secretary

Mr Andrew Bush (Joint Company Secretary) Appointed 1 of July 2017

Ms Kate Goland of Clear Sky Blue was appointed joint Company Secretary on 27 October 2022

Notice of annual general meeting

The details of the annual general meeting of The Environmental Group Limited are:

Quest Notting Hill
10 Ferntree Place
Notting Hill
Victoria 3168

10.00 AM EST 21 November 2023

Registered office

Level 1, Suite 1,
10 Ferntree Place,
Notting Hill, Victoria 3168

Telephone: (03) 9763 6711

Share register

Boardroom Pty Ltd
Level 12, 225 George Street
Sydney, NSW 2000

Telephone: (02) 9290 9600

Auditor

RSM Australia Partners
Level 21, 55 Collins Street
Melbourne VIC 3000

Solicitors

Baker Jones
Level 10, 160 Queen Street
Melbourne VIC 3000

Bankers

Westpac Banking Corporation

Stock exchange listing

The Environmental Group Limited shares are listed on the Australian Securities Exchange (ASX code: EGL)

Website

www.environmental.com.au

Corporate Governance Statement

www.environmental.com.au





EGL

The Environmental Group Limited

HEAD OFFICE

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